Preserved

Preserve

App. F. IX-4

1921

File No. 101-21

Previous References (LB)

LB 101-21 101-527-9
LB B9-21 80 168, 11-14, 17,
+ 182 20
148-22 " 326

Later References

LB Dep 142 yr 14-15
LB HS-4-1, 3 to 4.
G.F. 96. 29. 122.
L.B. 103-37-HS, 2

Serial Nos. 14, 15
16, 17 & 18

General and Revenue Secretariat.

Later Refers.
LB 4-38 No 32 to

LB 92 no - 102
71-45-2

Serial Nos.

Part B for Jan 27

SUBJECT

Resumption of work on the Shimoga. Arasalu Railway line

18 | 30, The President, Dist. Bd. Shimoga.
The Agent, Mysore Railways.
The Secretary to Govt. for Railways
The Comptroller to Govt.
The Chief Engineer
The Deputy Commr Shimoga
The other D. C.'s Districts
no 4783-757 dt 22-1-27

passes orders in the matter referred to above

HS 30/1/27

DB 101-21

G. R. S. III—3]

ROUTINE NOTES.

[To be used only for notes, requisitions, etc., not intended for permanent record]

DEPT'S OF...
...JUN 2... JUN 1924
Reg. No. 8712

1) Mr Thomas Archibald
Re contribution
submitted in regard at
the last Council meet-
ing. Would seem to have
been received from the
Bank
31/5
Mr Meredith
Sent 1/6
10115
31/5/24

2) The file should have
been closed

3) Will the Secretary
please

6/6

Please prepare reply thereto

5) Draft Reply for perusal

6) Same approved

N. B.—Should routine notes be written on small slips, the notes must de copied, or slips pasted on this form.

WD 1660—GPB—1,50,000—2-5-21

G. R. S. 111—3]

[illegible] NOTES.

[To be used only for [illegible]

1) It is resolved that the subscribers be requested to pay up the balance of share amount & on failure the declaration that the paid up amount forfeited be considered & opinion submitted by a sub-committee formed for the purpose.

2) 12/6

3) Submitted with reference to paras 2 & 3 supra, Imperial Secretary.

12/6

Further report when awaited

4/6

N. B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form.

Memo from members one a fortnight if further report not received in 15 days.

12/6

DEWAN'S OFFICE,
RECD. ON 13 JUN 1924
Reg. No 9029

Serial No.

No. D.-C. 40 Lb 21-22 of 11/12 dtd 24

Govt

the President, Rly Board, Simla

Forwards a copy of the resolution of the Rly Board, Simla, accepting the terms offered by the Govt for the transfer of the construction of the Shimoga-Arsalu Railway & requesting Govt to make the whole interest i.e. 6 1/4 % free of income-tax & further requesting to refer to a Rule Committee to decide further action taken in the matter.

1) Noted with reference to para 19 supra.

Bde 15/12/24

2) With reference to the withdrawal of the Hubli-Anmod project in 1923 that of the interest at 6 1/4 % was paid, the balance of 1 % lakhs was credited to Govt and that if Government agreed not to propose to pay this additional interest, the difference in the rate might be paid out of the Railways cess, the Rly Board was informed that for the construction of the Shimoga Arsalu Rly will be shown the following concessions:-

* the present guaranteed rate of interest is 5 %

NOTE—Contn. Sheet

LB File No

The Rd to contribution ½ the West Coast expedition
Should from
(1) the loan already raised
(2) accumulated Ceos Collections
(3) additional loan to be raised d

(Hs re and D)

first mtd guarantee an interest of 5½ p.a. free of income tax on the entire loan; that any deficit on account of interest charges on the Dist Bd Share of Capital mtd be met from the annual Ceos Collections d. the dist Bd of the debenture holders mtd be entitled to a share of the profits above 5½, in proportion to the Capital respectively contributed by them.

13) In accepting this offer, the Bd has resolved to request to treat the whole enhanced rate of interest at 6¼ p.a. on the entire loan free of income tax & and a Sub Committee is said to have been appointed for framing the prospectus on the altered terms.

14) The Financial Secretary was against allowing a loan at 6¼ p.a. interest, with the right to shareholders to share in profits. That Secretariat may be consulted as to the present negotiations

L. A. Berry)

16/9 from State Dept
the same opinion
Mull
20/12/24
21/12
Pol 277/24

W
17/12/24

5301
2/1

15/12
8/1
W
18/12
19/12/24

H Smith. H Berry)

NOTE—Contn. Sheet

(Abstracted)

S/12 W

eral and Revenue Secretariat.

Lb File No. 101 of 1924.

Serial No.

17) I do not see any reference in the proc. nor by the Council resolution that the enhanced rate is intended. Asstt Secretary will submit this in person

Mw

25/1

8/1

14/1 Expedite

~~Secretary~~

8-569

12/1

19) It should be made clear that interest allowable is to be for a year and that no higher rate of interest can be given ~~in the event of the~~ ~~Note may also be~~ ~~that the~~ for arrears regarding the Commencement & the work in the year may also be stated.

Mw

12/1

Dewan

20) The matter may now be brought up in Council

C Jacobi

27 JAN 1925

Chief Sec^y
with (comp^ts)

27-1

21) Circulate

Lb 27/1/25

AN'S OFFICE.
14 JAN. 1925
5048

NOTE—Contn. Sheet

3.275T

Subject. - 8

Request of the Shimoga District Board to make the entire interest on th loan raised for the construction of Shimoga-Arasalu Railway Line, free of income-tax.

Cow 14/2

....

OPINION OF THE COUNCIL.

22) To be sent to the R^q Secr for recalculation of the Cost of the line up to Kumsi, ~~the cost~~ and the prospects, having regard to the cost already incurred, ~~the~~ the interest payable on the loans &c

23) Railway Secretary with Compliments

13.2.25

WD 986—GBPM—5,000—10-4-24

	Serial No.	
P.W.D	24	Letter No.331, dated 13/15th April 1925,
		from the Agent, Mysore Railways, submitting a
Flag N		general abstract of cost of the construction of
		Shimoga-Arasalu Line up to Kumsi and also up to
G		Ragihosahalli together with a report from the --
		Engineer-in-Chief, re: the traffic prospects on th
		line, the cost already incurred and the intrest
		able on the loans.

		(a) The total cost of the line up to Kumsi, a dis
Flag J		tance of 17.02 miles, is Rs.15,86,945/- or a milea
		rate of Rs.93,240/-. The cost of the extension of
vide HQ ENCs report		this line up to Ragihosahalli for a length of 1.9
		miles amounts to Rs.1,59,600 at a mileage rate of
do		Rs.82,270. Thus, the total cost of the whole lin
		from Shimoga to Ragihosahalli, a distance of 18.9
Para 5 of ENCs report		miles, amounts Rs.17,46,545 or a mileage rate of
		Rs.92,117.
		(b) Amount already spent on the construction of
do		this line is Rs.3,65,736/- of which Rs.3,30,000
		has been spent up to Ragihosahalli and the amount
		required further to complete the line up to this point wi
do		be Rs.14,16,545.
		(c) The expected traffic prospects of the line
Para 109 ENCs report		up to Kumsi will be only Rs.21,066/- and these
		up to Ragihosahalli Rs.73,831/-. In the case of
do		the former, the net income works out to Rs.6,318/
		~~xxxxxxx~~

WD 986—GBPM—5,000—10-4-24

D/

Serial No.

Para 11 of E-IVS report

Rs.6.318/- assuming the working expenses to be 70 per cent of gross earnings and will yield .04 per cent on the Capital out-lay, whereas in the case of the latter, the net income will be Rs.22,14 yielding 1.3 per cent on Capital out-lay.

Para 13 of E-IVS report

(d) The District Board's half share of capital up to Kumsi would amount to Rs.7,93,472/- and the annual interest at 5% to be guaranteed would be Rs.39,670 and the Board will have therefore to make good (Rs.39,670-6,318/) or Rs.33,352/- annual But up to Ragihosahalli, the District Board's shar would be Rs.8,73,272/- and the interest payable thereon Rs.43,660/- ~~under guarantee~~. The amount to be borne by the Board annually in this case will be (Rs.43,660-Rs.22,149/), or Rs.21,501/-.

Submitted vide Chief Secretary's Memo dated 13-2-1925.

P

16/4

GB 18/4/25

Gw 17/4/25

D.No: 1804 718/4/25

Dewan

Maybe now consider a/c reference to the Fl Secy

43543

GENL. & REV. SECTT. Dy. 9 25 APR. 1925

20 APR 1925 7815

RAILWAY RETRENCHMENT GOVT. N.O. 98 D. 1804

GB 24/4/25

Chief Secy through Financial Secy

Fl Secy

24/4

25/4

Serial No.

H 2398/24

14) The assumption of an earning of Rs 80 p
mile per week is obviously too optimistic an
expectation: vide para 13 of the Engineer-i
Chief's Report. Even taking this figure, th
anticipated rate of return on capital outlay
is 1.3 per cent.

If this line is constructed, what woul
happen is this: Government would have to fi
half the capital which would cost them 6 per
cent or more and would have to be content wi
about one per cent.; in other words, they
should be prepared to find from their genera
revenues the difference of about 5 per cent.
The District Board would, in its turn, have
to find half the capital. It may get about
one per cent. from the railway earnings and
the excess over it to meet the lenders' clai
will have to be found from Cess collections.

What the District Board would offer to
investors invited to lend more money is a
guaranteed rate of 5 per cent and a share of
profits. It will perhaps take a decade or
two for any profit to be realised in the for
of ~~the~~ an excess over the interest rate. The
attraction in the form of a share in profits
is therefore practically nil and in these
circumstances, I do not think that the Board
will be able to raise the balance of its

share

share of capital on the offer of 5 per cent rate which is really all the return on which the investors can count.

Government would have to ~~put down~~ invest money in a Concern which is known to be non-paying, when their capital resources are very limited and when there are other demands of a paying character on such resources. As for the Board, I am doubtful, as I have stated above, if it will be able to raise the balance of its share of capital and even if it did, it would be providing for its share of the railway service from the proceeds of taxation in the form of cess. For both partners _ Government and the District Board _ therefore the position is one of maintaining and operating the railway from the proceeds of taxation.

I am afraid I cannot support the proposition in the circumstances stated above. The financial difficulties to which the State Administration has been subjected, are, in no small measure, due to the non-paying character of most of the investments made in railways for some years past and we ought not to permit any more such investments. If, on the ground of opening out the malnad or on other considerations of general administration, it is necessary to construct this line, although it is

non-paying

Serial No.	
	non-paying, it can be taken up only when the administration can afford to do so and now, I think, it cannot and I have, therefore, to oppos this proposal.
	If the District Board is anxious to have this line without delay, the conditions on which its construction could be resumed are the follow ing:-
	(1) The Board will have to find the whole capital. The cost of the line up to Ragihosa-halli is now estimated at Rs 17½ lakhs. Against this demand, the Board has got Rs 3½ lakhs alread raised from the loan floated and it has also got about Rs 2½ lakhs of accummulated cess. The balance to be found is Rs 11½ lakhs.
	(2) It has to provide out of its annual cess the whole amount required towards the payment of interest on the entire borrowed capital which will be Rs 11½ + Rs 3½ = Rs 15 lakhs. Whatever in-terest is allowed on the new borrowing will have to be given for the loan already raised; other-wise, the old investors are not likely to agree to the arrangement. On the assumption that this Board has to pay as much for the loan as the Mysore District Board recently did, the amount required for payment of annual interest will be about Rs 1.05 lakhs. The present rate of cess is 3 pies in the rupee and the annual collection about Rs 30,000. If the cess should meet the

NOTE-Contn. Sheet whole

Not Considered on 9.6.25

Subject- 7 C.275 B

Proposals in connection with the resumption of the construction of Shimoga-Arasalu Railway Line.

OPINION OF THE COUNCIL.

30) The Govt. will be prepared to direct the resumption of the work of the line, if the District Board would increase the Railway Cess to one-Anna in the rupee to provide for repayment of loan & sinking fund & and losses. Enquiry may be made on this point

M 16.6.25

31) R & L. Secretary with Compts

M 17.6.25

17.6.

Serial No.	
	32) Mem put up 23/6 18/6
	Mr. BM)
	~~of Subs as per decision of the Council~~
	33) Maximum rate at which Railway Cess can be levied is Six pies in a rupee under Sec 24(a) of the Indian L B & N.B. Regn. 34) The file is being submitted for remarks 19/6 25 ahead of the orders passed by Mr. L. Secy) 23/6
10219 22/6	
	35) The Railway Cess was originally intended after Subd as a Cl. of Cl. 9. This note was also printed & circulated to members of Council. It is surprising that even this is said to be not forthcoming.
	36) Please see where the file which led to the levy of Six pies Railway Cess & inclusion of this as a rule in the L B Regn is forthcoming.
	23/6/25

please look into the relevant file & trace out

this memo sent to Protection

Legislative Conference 1918.

Secy 24/6

24/6

842

WD 986—GBPM—5,000 - 10-4-24

15

Railway Secretariat | Lrs File No. 101 of 1921.

Serial No.

D.O. No. A 469 Dated 2.7.25

From

The Deputy Commr, Chitral

Forwards the copy of the no

on the Ry extension

34) The Secy's orders on the Receip

Submit to 2nd member

Rd

From AB 2nd Member 4/7 — 4/7

112 4/7

Pt III of the Register Bill

35) I have now got a copy of my note from Chitral. It is surprising that all the files was sorted vide Mr Macleans note Hence no Copy is available. Mr Macleans note is as under up

39) I hope Ld Secy will now trace the file or Secy's reasons of raising the Cess from 3 pies (as proposed by me) to 6 pies in the Act

6/7/25

6-7

40) Legis file 35-11 relating to the passing Ry Act of 1914 in the levy of a Railway Cess not exceeding six pies in the Rupee is herewith put up. The statement

Gen[illegible] and Revenue Secretariat.

Serial No.

Z/3 File No. 101 of 1921

Statement of objects and Reasons is at Flag A

Attention is invited to para 12 of the Note in this file Collection of letter No 601 dated 10-3-14 addressed to the Residency on the matter. From this it is seen that the rate of 3ps originally proposed was raised to 6ps on the representation of [illegible] that the rate of 3ps was inadequate.

HK
8/7/25

Information required by the 2nd Member regarding post of India Office regarding concessions to [illegible] in another Note of 8/7/25 is put up. The file is under reference

Z/3
14/7/25

(L L Lees)
Dy Secy

8/7
15.7
25

Returned from India Office 24/2/26 vide D No 5342 dt 24/2

24/2

Serial No

14

No. P.C. 40 Lb 21-22 of 20. 11. 25

From

The President, Bd. Board, Shimoga

In the matter of the resumption of the work of the Shimoga-Arasalu Ry. I am forwarding copies of two Nos. Resolutions passed by the Bd. Board & request that Govt may be moved to take immediate steps in the direction.

1) The question appearing in the Collection D. 3885-5 & has not come to one of the Resolutions now forwarded urges the work to be taken on hand immediately & the other urges the abolition of Ry Cess if the work cannot be started immediately.

5279/8/12

Lrd
Comm 6/12 2nd Section) 7/12
4/12

2) Chief Secy in the Compliments

It will be found that this matter was held up as 1 anna cess was proposed, whereas only a cess of 6 pies is leviable both under the present Regn & in the draft bill. The question for decision is whether in the near future Govt could levy cess & construct the R.Y & D-B. guarantee 6 pies

in formal

Serial No.

DEWAN'S OFFICE
REGD. ON 10. DEC. 1925
Reg. No. Le299

Cess on Q. Queen with the Cess tee Railway may not pay, a tee Question is Whether it sho be taken up as part of Malnad Improvement. The Mysore Bill has been taken up. 3) The matter has to be considered in Council, if Dewa approves.

9/12/25.

Chief Sec
with compts

9-12

Dewan

10/12

4) As the papers are not there a) There is the Railway Co's representation with regard to the cess b) The letter of Messrs Rice

11/12

11/12

May this be sent to Secretaries for the papers being put up if they have since been received

The papers are with the Consulting Mysore and Kadur

11/12

To Commercial Sch

615/12

Secretary to Government of Mysore Revenue Department

Memorandum regarding the cess on Coffee Exported by Rail is linked to the General Note—Contn. Sheet

10/12

General and Revenue Secretariat | L/S File No. 101 of 1926.

Serial No

DEWAN'S OFFICE
REC'D 19. FEB. 1926

5) All the previous papers on the subject have been submitted in connection with the Chairmanship of the question relating to the Jaora Railway Policy. The papers are now & have been submitted to Darbar with Chairs)

25/2/26

6) This is to await the return of the file

23/2/26

Submitted with reference to para 4 supra

Darbar
2/3/26

7) The file re Ry policy has returned to Branch but the file Re Shivaya Jaora is not found with it. Darbar may perhaps have

Rec'd
Darbar back
12/2 13/2 CB)

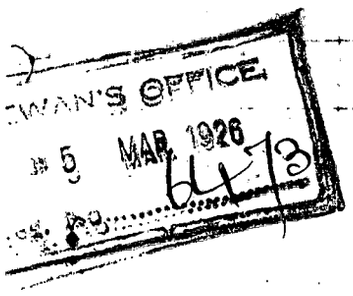
25/2/26

In the file re Ry Policy a slip has been placed stating that some files have been held up in the Palace. This may be one of them. If approved the servants may be enquired about them

To Dewan's Office
25/2

Note—Contn. Sheet

Serial No



Mr. main file re Orenway a. Hasan, which had been hitherto attached to the Rly Policy file is now removed [illegible] Vide D. 5342./ & it is herewith linked.

Said ref is invited to Flag C for the Offr of Govt's agreeing the financing of the line. The Board's resolution upon the Offr is marked P.H.D.

Sd with ref to para 4

Sd 25/2 Kanhaiya

(L.H. Leg) 25/3

(Dewan) 28/3

I am to enquire whether we have yet received in this Secretariat - there have been orders & I want the Agency to come & explain what we have received

Yours

18/3

Sd 19/3.

Pl. see Dewan's orders on the note put up below. This will now be sent to the (Mil. Secy L.H. Secy). 28/3

Chief Secy with compts Sd 28/3

Shivdeo Asstt RD

Sd 25/3

Note—Contn. Sheet

SHIMOGA-ARSALU RAILWAY.

In August 1914 the District Board of Shimoga was authorised to raise a loan of Rs. 10 lakhs for a narrow gauge line from Shimoga to Sagar with a branch from Kiponpet to Thirthahalli on a Government guarantee of 4 per cen Government undertaking to provide the balance. The loan raised for the pur pose was later on ordered to be utilis ed for Shimoga-Arsalu Railway with a guarantee of 5% and a proportionate share of profits when net earnings exceed 5%. The line which had been started by Government had to be stopped on financial grounds and the subscribers having asked for return of loan amount or investment which in 1921 amounted to Rs. 3,69,345 in 7 per cent State Loan, the matter was discussed with the Board and in 1923 the Board were offered the following terms for the resumption of construction of the line:-

H.Q.

1. The Board should contribute half the capital expenditure as estimated in the project from
   (a) loan raised,
   (b) accumulated cess collections, and
   (c) additional loan to be raised.
2. Government to guarantee 5% interest free of income-tax on the entire loan and any deficit on account of interest --

charges on the District Board
share will be met from annual
cess collections with the righ
to the District Board and -
shareholders to share profits
when earnings exceed 5% in pro
portion to the capital raised.

The line was intended to be take
up in connection with the Malnad Im-
provement. This order was passed or
5th January 1924.

In December 1924 the District
Board accepted the above offer but
wanted interest free of income-tax at
6¼%.

The matter was considered in
Council on 13th February 1925 when th
Board was asked to recalculate the
cost of the line up to Kumsi, the pro
spects of the line with regard to cos
incurred and interest payable on loar
etc.

The cost of the above for a
distance of 17•20 miles up to Kumsi was estimated
at Rs. 15,86,945 at Rs. 93,240 a mile
The line having been continued to Ra-
jihosahalli for an additional 1.94 miles
the total cost for 19.14 miles was estimated at
Rs. 17,46,545 and excluding amount
already spent up to this point the
amount required was estimated at
Rs. 14,16,545. Up to Kumsi, traffic
prospect was estimated at Rs. 21,066
and to Ragihosahalli Rs. 78,831.

The District Board share of capital was estimated at Rs. 7,93,472, the Board having to make good Rs.3335 annually

The Financial Secretary doubted the capacity of the Board to raise th balance of share capital at 5% interest and - said that the line could be taken up only if (1) the Board will find the - whole capital, and (2) provide out of annual Railway Cess the payment of -- interest thereon and for this he said the rate will have to be raised to on anna and the rate of 3 pies will be - quite insufficient

The matter was considered in - Council when enquiry as regards the - District Board raising the Cess to on anna was ordered to be made to provid for repayment of loan, sinking fund - and meet loss etc.

The District Board wanted that - the work be taken up soon or the cess abolished. The Second Member then - raised the question whether Governmen could construct the Railway in the -- near future if the District Board gua rantees 6 pies cess only and as this may not pay, whether it should be - - taken up as part of Malnad Improvemen

The Dewan wanted the previous - papers and as these were pending in - Council, in connection with the gene- ral Railway policy, the papers could

not be submitted then. They were - submitted to the Dewan on the 4th - March as they were returned to the -- Branch only at the end of February.

But the draft order relating to the general railway policy is still - under consideration in connection wit the question of requiring the Boards to reimburse loss on unremunerative - lines after consulting the Representa tive Assembly thereon. The question relating to Shimoga-Arsalu Railway -- can be disposed of perhaps only after the above question is decided.

Extract from the Proceedings of the 769th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 8th April 1926. *19*

182. Subject. - Clause xii of the schedule.

Resumption of the construction of Shimoga-Arasalu Railway line.

OPINION OF THE COUNCIL.

The question of resumption of the construction of the Shimoga-Arasalu Railway line may be considered if the District Board agree to raise the Railway Cess to 6 pies in the rupee and make it over to Government so as to meet interest charges on the total capital cost incurred. The loan raised by the District Board, excluding the share found from the accumulated railway cess which will be permitted to be used for the capital cost of the line without the Board claiming any proprietory right in respect of it, may be transferred to Government and it will be applied in meeting a part of the capital cost of the line, Government bearing the remainder.

(Signed) A. R. BANERJI,

Dewan of Mysore.

"EXTRACT"

Chief Secretary to Government.

WD 1471—GPB—2,000—1-3-21

C424 26

G. R. S. 12]

W D 473—GPB—1,000—12-9-18

General and Revenue Secretariat.

File No. of 191

Subject.-

Resumption of the construction of Shimoga-Arasalu Railway line.

Extract from the Proceedings of the Council is put up.

Forwarded, with compliments, to the Financial Secretary to Government, under paragraph 9 * of the Government Order No. G. 17572-8—G. M. 676-17-1, dated 22nd June 1918.

By Order,

Chief Secretary to Government.

10.4.26.

*9. (*a*) If the views expressed by the Financial Secretary in any case, whether original or un-officially referred, are not accepted by the Member of Government in charge, or by the Dewan and Members of Council, as the case may be, the file containing the discussions shall be sent to the Financial Secretary a second time, in order to enable him, in cases in which he considers that the orders proposed to be issued are opposed to financial rules of Government or to recognised financial principles or for other reasons of a financial nature, are open to objection, to record a respectful representation to that effect, which will be placed by the Dewan before His Highness the Maharaja for consideration.

(*b*) All cases sent to the Financial Secretary under this rule should be treated as immediate and returned to the Department concerned within three days of receipt.

8 C187. 27

Urgent Subject.-

Financing the Shimoga Arasalu Railway and Programme of Railway Construction.

OPINION OF THE COUNCIL.

Submitted to His Highness.

In August 1914, the District Board of Shimoga was authorised to raise a loan of Rs.10 lakhs for a narrow gauge line from Shimoga to Sagar with a branch from Riponpet to Thirthahalli on a Government guarantee of 4 per cent., Government undertaking to provide the balance. The loan raised for the purpose was later on ordered to be utilised for the Shimoga-Arsalu Railway, with a guarantee of 5 per cent. and a proportionate share of profits when net earnings exceed 5 per cent. The line which had been started by Government had to be stopped on financial grounds; and the subscribers having asked for return of loan amount or investment thereof, which in 1921 amounted to Rs. 3,69,345, in 7 per cent. State Loan, the matter was discussed with the Board, and in 1923 the Board were offered the following terms for the resumption of construction of the line:-

(1) The Board should contribute half the capital expenditure as estimated in the project from -

(a) loan raised,

(b) accumulated cess collections, and

(c) additional loan to be raised.

(2) Government to guarantee 5 per cent. interest free of income-tax on the entire loan, and any deficit on account of interest charges on the District Board share will be met from annual cess collections with the right to the District Board and shareholders to share profits when earnings exceed 5 per cent. in proportion to the capital raised.

This order was passed on 5th January 1924.

2. In December 1924, the District Board accepted the above offer but wanted a guarantee of interest on the loan, free of income-tax, at 6¼ per cent.

3) The matter was considered in Council on the 13th February 1925 when the Railway Secretary was asked to recalculate the cost of the line up to Kumsi, the prospects of the line with regard to cost incurred and interest payable on loans, etc.

4) The cost of the above for a distance of 17.02 miles up to Kumsi has been estimated at Rs. 15,86,945 at Rs.93,240 a mile

29

To continue the line to Ragihosahalli - a more advantageous point involving an addition of 1.94 miles - the total cost for all 18.96 miles was estimated at Rs. 17,46,545 and, excluding the amount already spent up to this point, the amount required was estimated at Rs. 14,16,545. Up to Kumsi, the traffic receipts are estimated at Rs. 21,066, and if the line is carried on to Ragihosahalli, Rs. 78,831. The Railway Secretary, in his note dated the 16th April 1925, has pointed out that the net income of the line up to Kumsi, works out to Rs. 6,318, assuming the working expenses to be 70 per cent. of the gross earnings, and will yield .04 per cent on the capital outlay, whereas, in case it is extended to Ragihosahalli, the net income will be Rs. 22,149, yielding 1.3 per cent on the capital.

5) The District Board share of capital cost to be contributed was estimated at Rs. 7,93,472, the Board having to make good Rs. 33,352 annually to meet interest and other charges until the line became remunerative.

6) The Financial Secretary doubted the capacity of the Board to raise the balance of share capital at 5 per cent interest, and said that the line could be taken up only if (1) the Board will find the whole capital, and (2) provide, out of annual Railway Cess, the payment of interest thereon, and for this he said the rate will have to be raised to one anna and the rate of 3 pies will be quite insufficient.

4) The matter was further considered in Council when an enquiry as regards the District Board raising the cess to one anna was ordered to be made to provide for repayment of loan, sinking fund and meet losses etc.

8) The District Board is apparently not in favour of raising the cess to the figure. Moreover, the District Board Regulation provides only for a maximum of 6 pies. They have urged that the work may be taken up soon or the cess abolished. The cess is now levied at 3 pies in the rupee, and if it is raised to 6 pies, the annual collection will be about Rs. 60,000.

There

30

There is no likelihood of the District Board being able to raise a loan and contribute half the cost. Even the loan now raised by them has been guaranteed by Government and it would mean merely if the Railway line does not pay the interest, the balance has to be paid by Government. There is no object to be served, therefore, in asking a District Board to participate in a line the capital of which is provided by them by means of a loan guaranteed by Government. A similar arrangement in the Kolar District has given rise to serious difficulties. Moreover, this is an important line that may have to be extended to the interior of the Malnad to develop that tract. His Highness has approved the recommendation, in another case, that in future we may follow the same policy in regard to the construction of new Railway lines and extensions, as is done in British India, that is, take in the co-operation of local bodies in the case of unremunerative lines which are considered necessary in the interests of the local areas concerned, to guarantee interest on the loans raised and make up the deficiency, if any, in losses in working expenses. In our District Board Regulation as it stands, it is doubtful if the cess can be utilised to guarantee interest, and the Regulation is now being amended to allow interest being paid out of the cess. Cases in which a line is so unremunerative as not to pay working expenses will be exceedingly rare and each such case can be dealt with having regard to the exceptional features of the case and there may be circumstances that would justify further concessions from Government. This alternative has not been provided for in the amended Regulation. The proposed line is required to open up the Malnad. It may have to be extended eventually to Bhatkal. For reasons I have already explained, it is not desirable to give the District Board any proprietory interest in the line. In order to facilitate the construction of the line and enable Government to undertake this line, it will be sufficient if they make over the cess and the accumulated collections. We have followed this policy in the case of the Kadur-Chikmagalur Railway line. If the cost of the line is about 18 lakhs, as the accumulated collections of the cess amou

to about 3 lakhs, the amount which may have to be raised as a loan on which interest has to be paid, will be about 15 lakhs. Railway cess at the rate of 6 pies in the rupee, will amount to Rs. 60,000 and this will just enable us to pay interest at 4 per cent. per annum assuming that the earnings are just sufficient to pay working expenses. In view of the importance of the line, Government will be justified in taking this slight extra burden, i.e., pay the extra 1½ or 2 per cent. interest until the line is able to give a return.

9) The matter was considered in Council who have resolved as follows:

" The question of resumption of the construction of the Shimoga Arasalu Railway line may be considered if the District Board agree to raise the Railway Cess to 6 pies in the rupee and make it over to Government so as to meet interest charges on the total capital cost incurred. The loan raised by the District Board, excluding the share found from the accumulated railway cess which will be permitted to be used for the capital cost of the line without the Board claiming any proprietory right in respect of it, may be transferred to Government, and it will be applied in meeting a part of the capital cost of the line, Government bearing the remainder. "

10) The resolution of the Council may be graciously approved.

MYSORE,
11th June 1926.

Mirza M. Ismail

32

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Proposals for the resumption of the construction of the Shimoga-Arasalu Railway line.

879

11)

Order.

~~KRW~~
14/6/26

C. Rey
M
14.6.26

8
15/

C424.

General and Revenue Secretariat.

Proposals for the resumption of the Construction of the Shimoga Nagsala Railway Line -

(*)

31. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned, immediately after, to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to the Members of Council for perusal of

*

His Highness' orders $\frac{\text{before}}{\text{after}}$ issue of orders. (*Vide* Rules 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

Chief Secretary to Govt.

Through the Secretary to Government.

.....Department.

12) Please submit a draft G.O. for Council. X

FIRST MEMBER OF COUNCIL. 16/6/26

10855 15/6

SECOND MEMBER OF COUNCIL. 17-6-26

178 16.6

~~THIRD MEMBER OF COUNCIL.~~

L & L Secy with Compts

16/6

15/6

13)

NOTE—Contn. sheet.

Mono WD 1190—GPB—500

Serial No.

DEWAN'S OFFICE.
Received on
30. JUN. 1926.
Reg. No. 9465

11252
28/6

15) It is perhaps necessary to consult the Distt Board before passing final orders. In this view a draft letter is submitted. This will be amended with a D.O. if further consultation is considered unnecessary & the Council resolution is regarded as a final order but the question of raising the CESS is different which will have to be considered by the Govt.

L L Dees) 28/6/26

16) Dist Bd may perhaps be consulted before passing final orders.

Secretary.

14) Consulting Board seems necessary if necessary Submit to Dewan before issue.

Lee 29/6/26.

Dewan.

29.6

18) I agree

30/6

30/6.

19) If approved the draft will require

L L Dees) 28/6

20) Yes

for issue.

30/6

NOTE—Contn. Sheet

Serial No.

No L 122 of 9.4.26

15 To

The President, Bd Board, Shimoga

Reviews the estimates calculated up to Rajivasahalu & states that the question of resumption of the line will be considered by the Board are agreeable to levy a Ry Cess of 6 pies in the Rupee and make it over & above as to meet interest charges on the total Capital expenditure & also pass to utilise the accumulated Ry Cess for the Capital cost of the line without the Board claiming any proprietary right

GENERAL & REVENUE SECRETARIAT
JUL 1926
LOCAL SELF GOVT. BRANCH

16 No D C 40 LB 21-22 of 5/4.7.26

From

The President, Bd Board, Shimoga

In Continuation of their letter dated 17.11.25 requesting the resumption of the work of Shimoga & Arasalu Ry line forwards copies of Res. Nos. of the Board of 30.6.26 to the effect that the accumulated Ry Cess collections may be utilised by the Govt & treated as a loan subject to pay interest at 5% as mentioned & requests that the same may be accepted

NOTE—Contn. Sheet

WD 01264—GPB—40,000—17-12-25

Serial No.

The present proposal was thought of before. The offer of Govt dated 9.7.26 (Pl 15) was made. The present resolution of the Board falls very much short of the conditions offered by Govt. The reply of the Bd to the Govt's offer of 9.7.26 may perhaps be awaited.

Rlvd for orders.

Done. 16/7

Mean while the attention of Mr President to the latest reference and request for a very early reply on all the points raised therein.

16/7

23/draft Rlvd

Done MM 17.7.26.

Vide note on the letter for further correspondence.

Put up forward 15

NOTE—Contn. Sheet

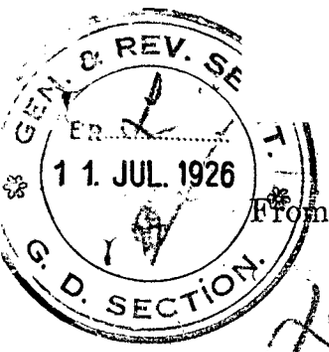
01706

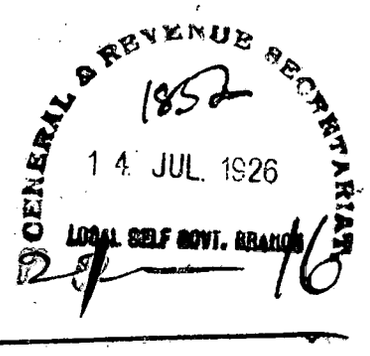
37

No P.C.40/L.B.21-22
En.one

OFFICE OF THE PRESIDENT, DISTRICT BOARD
SHIMOGA DISTRICT.

Shimoga, Dated the 5/7th July *1926.*





From

A.K.Syed Taj Peeran,Esquire,B.A.,

President, District Board,
Shimoga District.

To

B.Nagappa,Esquire,Bar-at-Law.,

Secretary to Government,Local and Legislative Departments,

B A N G A L O R E.

Sir,

3690

In continuation of this office letter No.P.C.40/L.B.21- dated the 17th November 1925,re: the resumption of the work of the Shimoga-Arasalu Railway Line without further loss of time Et I have the honour to state that the District Board hage again considered the subject and have resolved at their meeting held on 30th June 1926 that with a view to expedite the resuming of the construction work of the Shimoga-Arasalu Line,the accumulated Railway cess collections amounting to Rs.3,18,019/- (for which the interest which comes to about Rs.15,000/- for the current year has to be added),now deposited in the Govt. Savings Bank be utilised by the Government and treated as a loan subject to the condition that the Government will be pleased to continue to pay interest at 5.p.c. as hitherto which will be added on to the Railway cess Fund,and to request that the Government may kindly be moved to accept the above offer of the District Board and start the work immediately.

A copy of the resolution No.36 of the District

Board

board passed at their meeting held on 30-6-26 is herein enclosed for kind information.

I have the honour to be,

SIR,

Your most obedient servant,

for Secretary,

District Board, Srinagar.

RB

273/1917

The resolution of the Board herein is one made prior to coming into force of the 5th July 1926. The attention of the President will be invited to our letter dated the 9th inst. in order to ascertain the opinion of the Board on the latter proposals of the Govt.

Draft is submitted

[illegible]

27/7

AT

EC

20/7

20/7

20/7

Issued No L 610 of 26.7.26.

Invites attention to this office memo of 9.7.26 & calls for the opinion of the Board early.

CONTINUE OVERLEAF
0 JUL 26

29

Proceedings of the sixth ordinary meeting of the District Board, Shimoga, held on the 30th June 1926 at 1.P.M. in the town-hall, Shimoga.

X X X X X X X X X X

36. Resumption of the construction of the Shimoga-Arasalu Railway.

(Proposed by Mr. [illegible], seconded by Mr.Rama Rao).

RESOLUTION.:-

Resolved that with a view to expedite the resuming of the construction work of the Shimoga-Arasalu Line, the accumulated Railway cess collections amounting to Rs.3,18,019/- now deposited in the Government Savinga Bank be utilised by the Government and treated as a loan subject to the condition that the Government will be pleased to continue to pay interest at 5.p.c.as hitherto which will be added on to the Railway cess Fund.

" Embrace " C Subbarao
Vice President, District Board, Shimoga

WD 01264—GPB—40,000—17-12-25
App. F.—III—2]

General and Revenue Secretariat

LB File No. 101 of 192 1

Serial No.

No. C 40/RB 21-22 dt. 11/13. P. 26
From

14. The President, Dt. Board
Sheiraga dt.

Write refer to the terms indicated in ll. 15 supra for undertaking the works at Sheiraga - Arasalu Rly line, forwards copy of the Resolution passed by the Dt. Board at their meeting held on 9.8.26 agreeing (1) to make over the accumulated Rly cess amount, (2) to place at the disposal of Govt. the cess that may be collected hereafter to get the work raised thereby the loan (3) to renounce all proprietary rights over the line and (4) requesting that in view of the poor condition of the people the Rly cess levied may not be enhanced.

Submit with refer to the Council resolution at para 9 of the Secy Note and with refer to para 15 supra.

The three main points on which the Board's opinion was invited are;—

1) To raise the Rly cess to 6 pies;

2) To make over the Rly cess to meet interest charges on the total Capital cost; and

3) To transfer the accumulated Rly cess

Serial No.

and the amount raised by means of loan to Govt towards the construction of the line without laying claim to any right in the line.

3/ The Board are agreeable to the 2nd & 3rd ~~[illegible]~~ but not to the levy of the Cess at the higher rate.

4/ Subject to orders. The Board urges ~~[illegible]~~ reasons for the necessity of resumption of Construction of this

1989/1718

L.R.Rees
1st March.

28/1.1918
8/4
17.8

5/ I shall be glad if the figures can be worked out.

Total Capital Cost including interest charged during construction / Present value of Annuity ahead of Spent

Balance of Capital Cost required to be Spent

Contribution from DDB. accepted

Loan raised by DDB. & transferred to Govt

Balance in Cash that Govt has to find.

Working Expenses—

Interest on Govt's Capital Expd including loan taken over.

Loss on Working ✕ including Interest on Govt Capital.

Loss Covered by 3 pieces

Balance of loss to be borne by Govt

Release of loss by Govt & DDB respectively

10/8/18.
8/4
16/8/18

eneral and Revenue Secretariat

LB File No. 101 of 192/.

Serial No

No information called for by the member is wanted & put up. If approved this will be got typed & sent

Done 25/8/26 Yes with the Municipalities
25/8

A clean copy of the statement is put up for

Done 27/8/26. 33 A statement with reference to the figures furnished by the D.P.I. (Flag N) in memo of 18/8/26 is drawn up. Not considered necessary the municipalities will be addressed.
First Member 27/8.

34 Yes Sent
30/8.
30/8.

35 Forwarded to the Railway Secretariat (Flag O) for favour of verification of the statement sent herewith regarding the information required by the First Member in his Minute of 18.8.26. The D.O. may be returned very early.
31/8.

Audit Office 1 SEP 1926 W 36

Audit Office 16 SEP 1926 Mysore. Mysore Railways

1.9.26 (Flag N)

D.O. No. 36 1/9/26

Audit with Compliments for favour of verification and early return.
1/9/26

NOTE—Contn. Sheet

y. 4] C 100

WD 1280—GBPM—3,000—20-5-26

Railway Secretariat | File No. of 192

Serial No.

U.O.No. 10 . dated 29-9-26.

3) Returned with compliments to the Secretary to the Government of Mysore for Railways, Mysore.

2) As per this office books the total outlay booked against Shimoga-Arasalu Railway to end of 1920-21 is Rs.3,34,030/- and Rs.3,57,836/- on this date. The outlay on the section up to Ragihossali can be had only from the work registers of the Division which are filed in the Engineer-in-Chief's office.

2) The other items are not susceptible of verification in this office.

M.A.Shivaramayya 29/9/26
Offg. Auditor.

Sub.

1) 4) The required information is given on the statement on next page -

11/10/26

U.O.No.36 / 11-10-26.

To Secretary, Local & Lgy. Depts.

4) The Statement is the one prepared by us. - Ref paras 32 & 34.

First Member 13/10

4133 / 12/10

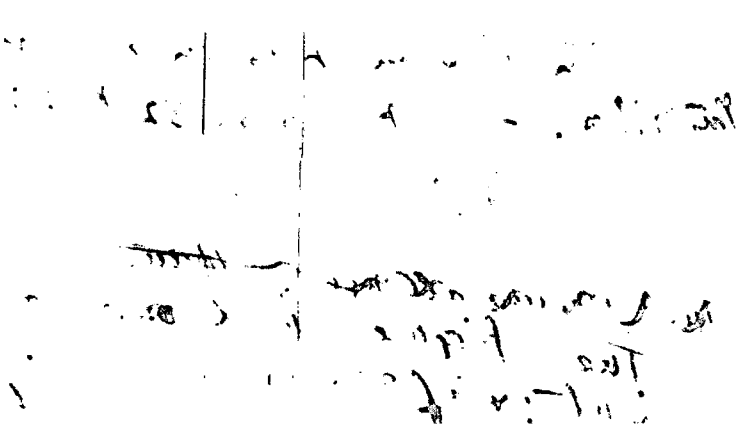
4) The figures have been worked out on all right; if 2nd M also considers correct the position

Railway
Secretariat

File No.

of 192

Serial
No.



C46.

WD 1280—GBPM—3,000—20-5-26

Railway Secretariat | File No. of 192

Serial No.

may be explained to D-Chera at Mysore, & the terms of Resolu as it should also drafted. The Govt have to bear 36 p.c. loss even after 6 pie Cess is levied. The Board's present Resolu seems to be based on a wrong idea of ownership. There can be no objection, ~~to~~ to Govt as to use profits of same & hire & further Explan in the Debt.

43 upon proper draft ~~post~~ may be put up. Subd to 2nd Min as it appears to Govt Railway Secretariat, Head Mrs as agreed

14/10

2nd Memd

14/10

44 It is desirable to resume the construction of this line early. The District Board has agreed to two out of the three conditions laid down for resumption and its request for not being compelled to raise the Railway Cess from 3 pies to 6 pies -- the third condition may, I think, be granted. The Malnad requires opening up by railway lines and the outlay of about 3½ lakhs already incurred by Government on this line is now idle. All things considered, it seems to me that it is justifiable for Government to agree to bear some loss in respect of this line.

The

OFFICE OF THE SECOND MEMBER OF COUNCIL
16 OCT. 1926
No. 2780

WD 1280—GBPM—3,000—20-5-26.

45

Railway Secretariat | File No. of 192 .

Serial No.

The share of loss to be borne by Government is 36 per cent after taking into account Railway Cess at 3 pies and not at 6 pies.

I believe the staff hitherto employed upon the Nanjangud-Chamarajnagar Railway is now set free and it may be transferred for resumption of construction of the line from Shimoga to Ragihosahalli.

The conditions of resumption of the line may be following:-

(1) The loan raised by the District Board will be considered as that of Government with no claim to Debenture holders to any share in the profits of the line. Under the condition of issue of the loan, a share of profits was promised to Debenture holders and this condition cannot be complied with now.

(2) The accumulated Railway Cess should be made over by the Board to Government with no claim to any proprietory right in the line.

(3) Future annual collections of Railway Cess to be utilised for meeting the deficit in the Revenue account of the Railway including in such account interest at 5½ per cent on the capital contributed by Government and at the rate of interest actually paid on the amount of the ~~line~~ loan raised by the Board and taken over by Government.

Serial No.

(4) The condition of placing the proceeds of the annual Railway Cess at the disposal of Government for meeting deficit in the Revenue account to continue for a period of 25 years ~~xxxxxxx~~ which is I think the period fixed in the case of the Kadur-Chickmagalur line.

The Financial Secretary has to be consulted as regards the financing of this line.

C 203
18.10.26

Fin'l Sec'y
with Compts.

19.10.26

45 The financing of this scheme has to be considered in relation to other Capital works in progress or towards which we have committed ourselves. For Revenue purposes payment from the accumulated cess fund is also an outgoing we have recently sanctioned the Bank Restoration Scheme involving an annual outgoing of about 3 lakhs from the Irrn Cess fund.

As the Ry is reported to work at a loss we have to make up the loss from the Rev a/c.

Fin'l Sec'y

19/10

Vide DO of 6th Ry Fin'l Sec'y 6/10/26

19 OCT. 1926 Dept. of Revenue

FINANCIAL SECRETARY 19 OCT. 1926 No. 552

WD 1280—GBPM—3,000—20-5-26

Railway Secretariat | File No. of 192

Serial No.

9 46 D.O. letter dated 20th October 1926 from Financial Secretary requesting to furnish a rough mate of outlay on construction of Kadur-Chickmaga and Shimoga-Ragihosahalli Railways during this ar next few years.

869

The construction of the Kadur-Chickmag cannot be taken up now as the line is still un survey and the final alignment has not yet bee

As regards the resumption of the Shim Arasalu line up to Ragihosahalli, a sum of will be required during 1926-27 and Rs.10,1 Rs.1,29,538 during 1927-28 and 1928-29 respecti making up a total of Rs.18,02,333 as per statemen requirements furnished by the Engineer-in-Chief. increase of Rs.55,788 over the original estimate to the inclusion of the cost of 50 lbs. rails in present estimate, as the second hand 41¼ lbs. rai moved from the Bangalore-Mysore section and inten be used on this Railway are not now available.

The work on the Tunga Bridge should be com ~~before monsoon begins~~ at once and orders have ~~therefore~~ b issued to the Agent to recall Mr.Ramachandra Rao once, as settled at the Interview yesterday (9-11

A sum of Rs.15,000 will be required on th of the alternative lines of the Kadur-Chickmagalu Another sum of Rs.20,000 will be required for the detailed survey of the Bangalore-Hosur Railway wh

The masonry of the bridge must be the above flood level before next monsoon. There is not much time left and work is being commenced on the bridge now.

WD 1280—GBPM—3,000—20-5-26

48

Railway Secretariat | File No. of 192 . .

Serial No.

has been decided to be started as early as possible.

Next year a sum of Rs.10,11235 will be requir for the Shimoga-Ragihosahalli line. A similar sum Rs.10 lakhs will be required for the construction of Kadur-Chickmagalur Railway or the Bangalore-Hosur Ra way, whichever may be sanctioned in time to start co struction.

The Financial Department may be requested to take action to allot during the current year

(1) Rs.3,54,742 for Shimoga-Ragihosahalli Ry.
& (2) Rs.20,000 for detailed survey of the Bangalore-Hosur Railway

and to arrange to provide Rs.20 lakhs during next ye or such sum as may be found necessary.

Dewan)

DEWAN'S OFFICE. Received on 12. NOV. 1926 No. 13413

E.N.C. Rt-no 2992 dt 14/11/26

Cee 16/11/26 47 CEW 11/11 Sir Secty may note re provision. Engineer has also to note direction & condition (1) in the Pl's minute can be enforced & also put up a copy of Shimoga Post as ordered by me

Subsequent

RAILWAY SECRETARIAT 16 NOV. 1926 GOVERNMENT OF INDIA 16-11-26

Cee 13/11

48

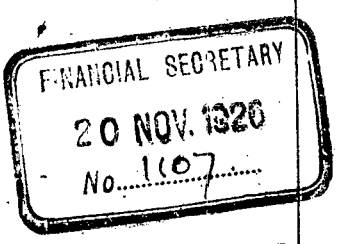
It is very necessary that work on the bridge at Shimoga should be started at once as otherwise a whole working season may be lost.

The Dewan has agreed that it is most desirable to complete the detailed survey

22248

G.O.No. 70
9/16/11/26

Je 1382



Please cycle this note

Mr G.S.

of the Bangalore - Hosur survey which we have staff available so that the construction may be started without delay as soon as it is sanctioned.

Sd/-
16/11/26

Financial Secretary

Refer Je Secy's note dd. 20.10.26

B
19/11

Je 85

49

The Railway Secretary states that the construction of the Kadur-Chickmagalur railway cannot be taken up now as the line is till under survey and the final ~~allotment~~ alignment has not yet been fixed.

SD The taking up of the Bangalore-Hosur railway is being discussed separately and until the gauge for this line is settled and the consent of the District Board, Bangalore, is obtained to levy a railway cess to compensate Government for the loss incurred by ~~Govt~~ it in working the line, ~~is obtained~~, the question of financing this line will not arise for consideration. What provision should be made for either of these lines in the next year's budget may be settled later.

57 As regards the resumption of the Shimoga

WD 1280—GBPM—3,000—26-5-26

Railway Secretariat | File No. of 192

50

Serial No.

Shimoga-Ragihosahalli line, the Railway Departmer requests provision to be made as follows:-

Total estimate as finally drawn up.	Rs.18,02,333/-
Deduct expenditure already incurred.	Rs 3,06,818/-
Balance of amount required for completion of the line up to Ragi-Hosahalli.	Rs.14,95,515/-

Provision to be made in 3 years.

1926-27	Rs 3,54,742/-
1927-28	Rs 10,11,235/-
1928-29	Rs 1,29,538/-
Total.	Rs 14,95,515/-

52 Towards this amount a sum of little more than 7 lakhs is available as contribution from th District Board. The loan raised by the Board up to end of 24-25 is Rs.3,71,131 and the accumula ted railway cess (including the current years inte est) is Rs.3,33,000/-. The total ~~therefore~~ of these two items is Rs.7,04,131/- . The balance which the Government may be required to finance is about 8 lakhs.

53 The amount to be contributed by the Goverr ment and the Board for constructing this line, which may roughly amount to 15 lakhs, will be as follows:-

Serial No

	26.27.	27.28	28.29
	Rs.	Rs.	Rs.
District Board Loan & Cess collections -	3,50,000	3,50,000	-
Government -	-	6,50,000	1,50,000
Total -	3,50,000.	10,00,000	1,50,000

* In the above calculations I have left out of consideration the future cess collections, as interest on the loan obtained by the Board, as well as on the capital provided by Govt. will have to be paid even during the Construction Stage.

52 The demands on our Capital resources are heavy. The VIIth installation works of the Electrical Dept: costing Rs. 45 lakhs are yet in progress.

53 It is under contemplation to embark on the High Level Canal Project, estimated to cost about 8 crores.

54 A programme of construction of tank works with an outlay of 12 lakhs from the Irrigation Cess Fund accumulations has been sanctioned.

55 The contemplated improvements in Water Supply arrangements in the Mysore & Bangalore city will involve a heavy strain on the State's cash resources.

56 For open line capital works (on Railways worked by the State and Company in charge) an annual provision of at least 10 lakhs of Rs. is necessary.

In view of all these & other considerations, it may not be possible to allott more than 10 lakhs a year for Construction of new lines, without resort to outside borrowing. (This is out of the question now).

Subject to the foregoing observations I agree to the Railway Secretary's proposals for the financing of the Shimoga-Rapid

NOTE.—Contn. Sheet

Railway

Serial No

Fr 1382/26
15/11/26

The construction of this line may be resumed on the conditions specified in the 2nd member's minute of 17th Oct 1926.

5 Q The Dy Board of Shimoga, while agreeing to the utilisation of the cess collections deposited in the Savings Bank, request that the amounts should be treated as a 'loan'. This request cannot be conceded. These collections should be made over to the absolutely without any claim for interest thereon or for any share of proprietorship in the Railway, and the Board should agree to hand over similarly the current and future cess collections even during the construction stage.

To L. S. Secretary with compliments.

k
20.11.26.

60 P.S. A supplementary demand for Survey charges in respect of the Kadur-Chickmagalur line - Rs 15000 will be placed before the next Session of the L.C., and the provision of Rs. 20000 required for the detailed survey of the Bangalore-Hassan line will be similarly arranged for.

k

1st Nov.

53558/25/11

24.

61 Provision as above. 15,000 for Kadur Chick & 20,000 for Bangalore Hosur Survey may be included in demands for next meeting of L.C. & the Hosur Survey may be for Re Shimoga-Basalu line a great deal of time would have been saved if Somdone had taken action as suggested by me on 14/10 ie to explain the position to H.E. at Mysore & put up a Cipher draft for his acceptance & subsequently if the Board [illegible] I shall be glad if the Secy will now please put up a draft for being sent on to Shimoga President Re starting the work in anticipation Board agreeing to our terms, I am unable to agree.

Mr Dow W. Howie
D.O letter to Secy (No. 80 of 24/11/26)
Issue when put up
25/11/26

FINANCIAL SECRETARIAT
27. NOV. 1926

NOTE—Contn. Sheet

D.O. No. 80

Dewan In charge

Mdk 25/11/26

573

RAILWAY SECRETARIAT,
Mysore,
~~Bangalore~~ 22nd November 1926.

22342
26.11.26

Dear Mr. Krishna Rao,

I have no information as to when the Dewan is likely to return from Delhi. In the meantime, I am getting anxious about starting the line from Shimoga to Ragi Hosahalli. It is very essential that we should get the masonry of the bridge over the Tunga above flood level before next monsoon as otherwise a whole working season will be lost. We also have to make a new station at Shimoga and raise the bank at the existing station above flood level. The amount that we can spend this year is only Rs.3,54,742, while next year we shall want Rs.10 lakhs.

I told the Dewan at the last interview I had with him at Mysore on the 9th November that I should recall Ramachandra Rao from leave and start work at once and he approved. Mr. Sreenivasaiengar has now sent some of our construction staff who were employed on the Nanjangud-Chamarajanagar Railway to Shimoga and we are ready to go ahead but I hesitate about incurring much in the way of

expenditure until I know that money is available.

Four or five alternative routes to Chickmagalur are being investigated in the field and as the country is very difficult they require very careful consideration and there is no prospect of any money being spent on the construction of the Kadur-Chickmagalur line this year.

No detailed survey has yet been made of the -- Bangalore-Hosur Railway and this should be done at once to avoid delay in starting work if the construction is agreed to. It will cost about Rs.20,000 for the survey and an estimate is being prepared now.

Yours sincerely,

Rajakaryappasakta

Diwan Bahadur K.N. Krishna Rao, B.A.,
Second Member of Council,
Public Offices, Bangalore.

Serial No.

The files re Shimoga - Rajchoorakatti Ry line & the Bangalore Hosur Ry line have been sent to the 2nd Member with the opinion of the Financial Secretary.

The Fin! Secy has stated that Supplementary demands will be made before the next Leg! Council for the following grants:-

Amount likely to be required for Survey of the Bangalore Hosur line } Rs 20,000

Do for the Kadur Chickmagalur Gubbi line . . } " 15,000

The Fin! Secy has also agreed to the Resumption of the Shimoga Rajchoor line on the conditions mentioned in the 2nd Member's note on that file.

hw 25/11/26

There seems no objection to authorise the Ry Secy to start the work on the Rajchoorakatti line

Sd Illegible

25/11/26.

I have spoken to the Hon'ble Member for Revenue & Agriculture & he has ordered on 14/10. in connection with this file. without Board's sanction this department is not in a position to go on further & is prepared to do so on whatever terms Board may agree to ultimately

25/11/26.

5362/25/11

Vide linked file

NOTE—Contn. Sheet

576

Extract from the Proceedings of the 787th *Meeting of the Council of His Highness the Maharaja, held at Bangalore on the* 4th December 1926 *19*

115. Subject. - Clauses x and xii of the schedule.

Financing the Shimoga Arasalu Railway and Programme of Railway construction.

OPINION OF THE COUNCIL.

The construction of the Shimoga-Arasalu line may be resumed on the conditions specified in the Second Member's minute of 17th October 1926. These may be communicated to the District Board for acceptance. The proposals made by the Financial Secretary in his Note dated the 20th January 1926 for financing the line may be accepted. The Agent for Railways may be authorized to proceed with the work.

(Sd.) Mirza M. Ismail,

Dewan of Mysore.

DEWAN'S OFFICE.
Received on
8. DEC. 1926
Reg. No 4150

Dewan 7/12/26

"EXTRACT"

Chief Secretary to Government.

WD 1471—GPB—2,000—1-3-21

57

Submitted to His Highness.

As approved by His Highness, the proposals contained in my Submission Note dated, the 11th June 1926 in regard to the financing of the Shimoga-Ragihosahalli line and recouping losses if any in its working were communicated to the District Board of Shimoga. They have now agreed to the following conditions:-

"(1) The accumulated amount of the Railway Cess in addition to the loan raised by the Board will be made over to Government unconditionally to be utilised towards the construction of the line and all proprietory rights over the line surrendered to Government.

(2) The collection of the Railway Cess may be utilised towards meeting the interest charges."

They have however not agreed to raise the rate of Railway Cess from 3 pies to 6 pies and urge that in view of the local conditions and the proverbial indebtedness of the Malnad people the rate should not be raised.

2. The Second Member is of opinion that as the Malnad requires opening up by railway lines and the outlay of about 3½ lakhs already incurred by Government on this line is now idle it seems justifiable for Government to agree to bear some of the loss in respect of this line.

He says that if the railway cess is levied at 3 pies only, the share of loss to be borne by Government will be 36 per cent. He therefore suggests the following conditions for the resumption of the working of the line:-

(1) The loan raised by the District Board will be considered as that of Government with no claim to Debenture holders to any share in the profits of the line. Under the conditions of issue of the loan, a share of profits was promised to Debenture holders and this condition cannot be complied with no

(2) The accumulated railway cess should be made over

by the Board to Government with no claim to any proprietory right in the line.

(3) Future annual collections of railway cess to be utilised for meeting the deficit in the Revenue account of the railway including in such account interest at 5½ per cent on the capital contributed by Government and at the rate of interest actually paid on the amount of the loan raised by the Board and taken over by Government.

(4) The condition of placing the proceeds of the annual Railway Cess at the disposal of Government for meeting deficit in the Revenue account to continue for a period of 25 years.

The matter was considered in Council who have resolved that the recommendations of the Second Member may be accepted.

In regard to the financing of this line the Financial Secretary says that the balance of the amount required for the construction of the line is Rs.14,95,515.

This may be provided as follows:-

1926-27	..	Rs. 3,54,742
1927-28	..	" 10,11,235
1928-29	..	" 1,29,535

As against this a sum of little more than 7 lakhs of rupees is available as contribution from the District Board. The balance which the Government have to find is about 8 lakhs.

The Financial Secretary points out that in view of other commitments for capital expenditure it may not be possible to allot more than 10 lakhs of rupees per annum for construction of open lines. There will thus be no difficulty in financing this particular line. But we have also promised to take up the Kadur-Chickmagalur line and it may be necessary for us to go on with the Bangalore-Hosur line. One of these lines may have therefore to be postponed. I shall when I go to the Kadur District explain the position in regard to the Kadur-

59

Kadur-Chickmagalur line which, whether regarded from the point of view of earning or that of creating new outlets for traffic does not seem to me to be so important as the other two. We may therefore have to postpone this line till our financial position improves.

At present we may proceed on the assumption that the Shimoga-Arasalu line will be given preference to the Bangalore-Hosur line and taken up immediately, the Kadur-Chickmagalur line being put off for the present. If the other conditions are satisfactory, Bangalore-Hosur line will have to be financed before the Kadur-Chickmagalur line.

I have authorised the Agent for the Railways to go on with the Shimoga-Ragihosahalli line as the establishment employed on the Nanjangud-Chamarajanagar line was available.

Flag S. The following resolution of the Council may be graciously approved:-

> "The construction of the Shimoga-Arasalu line may be resumed on the conditions specified in the Second Member's minute of 17th October 1926. These may be communicated to the District Board for acceptance. The proposals made by the Financial Secretary in his note dated the 20th January 1926 for financing the line may be accepted. The Agent for Railways may be authorised to proceed with the work".

Bangalore,)
8th Decr. 1926.)

Mirza M. Ismail

Psk.

60

FOR PERUSAL OF H. H's

ORDERS.

6033/11.12 FIRST MEMBER.

lee 13/12/26

4054 13.12 SECOND MEMBER.

mel (3/12/26

480 -12-26

82

Record of Cases submitted for the Orde of His Highness the Maharaja.

Subject.

Resumption of the construction of the Shimoga-Arasalu Railway line.

Order.

~~KRW~~

10/12/26

C. Secy 11.12.26

Secy Ltr
Secy for Rys
for further action
L
14/12
14/12

Dy Secy Rlys
13/12

Secy to AR
13.12.

RWE

File No 3640 1858 750k of 192 .

Serial No.

... Draft G.O put up... The Fe. Bd. may also be consulted.

18-12-26

Draft put up as desired at ma

18/12

6514
22/12

... two draft pumps

20/12/26

A draft for is submitted for approval.

24/12

8T
24.12

1st Item.

Salaries &

2nd Item. loss has to be verified. 3bp calculation of loss is at 6pie it would be more at 3p loss is at 6pie This may be verified. 23/12

8T
23/12

2nd Item.

The figures have been pre vide 8th attached. The rate of interest for Consideration the borrowing has probably to be 6pc. In this case 4 lie loss is necessary; at 3 pies the loss to be 42.2 for 5pc and 52.4 for 6pc.

2nd Remarks. 6/1/27

This may be referred to Fe Secy first.

Fin Sec
with compliments

8T 7(1)27

OFFICE OF THE SECOND [illegible] OF COUNCIL.
6 JAN. 1927
No. 1458

FINANCIAL SECRETARIAT.
7 JAN. 1927
Fe 2013-26

NOTE- Contn.Sheet

WD 01229—GPB—37,500—1-9-26
App. F. III—2]

General and Revenue Secretariat

File No. 8L. 7500 of 1926 (07)

Serial No.

FINANCIAL SECRETARY
8 JAN. 1927
No. 2418.

Considering the present level of the money market, 5½ p.c appears to be a reasonable rate for calculation of interest on capital supplied for Rly construction in which local bodies are interested. And at this rate of calculation the Govt share of loss will be Rs 27,433 or 47 p.c on the resumption of Shimoga-Rajasekarahalli line. A sum of Rs 3 lakhs representing the outlay on this line is idle capital, and the real money that Govt have to provide is Rs 8 lakhs. The interest on this latter sum is Rs 44000 and if this alone is taken into account, the loss in interest will be about Rs 10000 i.e 25 p.c. The Dt. Bd are not agreeable to enhancement of cess. In the interest of railroad development the loss has to be faced.

Rs.
Gross receipts 73,831.
Working expenses 51682
Excess of GR over W.E 22149.
Interest on Dt. Bd loan. 18556.
Net amount available for meeting interest on the Govt share of capital — 3593.
plus — Rs 30000.
Rly cess collections — interest @ 5½ p.c on 8 lakhs. 44000.
net loss. 10 571 1000
riders entire interest on the old outlay —

I have suggested some verbal alterations in the draft order (Clean draft of paras 4-8 pencilled). Reference to the calculation of loss in interest may perhaps be omitted in the circumstances of the case — K 8.1.27.

(I am sorry the draft prepared by the admn dept has been mishandled by the Legislative here. K.)

7186/11.1

Will be put to Govt Members after passed

Agree to draft as proposed by the Secy

Agree 11/1

4761/12/1

NOTE—Contn. Sheet

12/1/27 12/1 14.1.27

WD 01229—GPB—37,500—1-9-26

General and Revenue Secretariat | LB File No. 101 of 192 1

Serial No.

The Supt will now issue -
2 Ltrs)

28/1/27

Issue
28
17.1
28/

To Financial Secy's opinion please see previous page.
Draft & fair copies of G.O. Communicating Sanction

28/1/27

Issue.
Please have a copy of the G.O in the Budget Section of F.D.

28/1/27.

To The Accountant
Railways Rly.
No 5980/ dated 25/1/27

Issued 28/1/27

18 G.O no L.4)63-)5 — Dy 28/1/27.
Prov Dt Bd Shimoga
Asst Engrs Rly's
Subs to Govt for Railways
Comptroller to Govt
Chief Engr
Dy Com^r Shimoga
Dy Com^r other Dists

Passes orders about the resumption of the lands on the Shimoga - Arsikere Railway which under certain conditions

NOTE—Contn. Sheet

NOIAL SECRETARIAT
22. JAN. 1927
F/L. 2211-26

App. F. III—2]

General and Revenue Secretariat.

LB File No. 101 of 192 1

7300/64

Serial No.	
	and requests the President, Distt Board Shimoga to communicate to Govt. the final acceptance of the terms of the Board.
	~~From the President, Distt Board, Shimoga~~
	~~No C 300/LB 26 A 19.5.27.~~

B & Rus 31/1

GENERAL & REVENUE SECRETARIAT 27 MAY 1927

NOTE—Contn. sheet.

WD 2293—GPB—10,000—4-5-27

D.O. No. 169 dt 27/6/25 File

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To see para 5 of the Chitaldrug Report

Railway Secretariat,
Mysore, 27th June 1925.

Dear Sir,

As desired in your D.O. letter of yesterday to the address of Mr. V.K. Srinivasa Rao, I send herewith, for submission to the Second Member of Council, a copy of the note on "Railway construction in the Chitaldrug District" received with Chitaldrug Deputy Commissioner's letter No. 464-5 dated 24th May 1913. I presume this is the note required by the Second Member of Council.

Yours sincerely,

Head Clerk,
Railway Secretariat.

To

S.R. Jamkhandi, Esq., B.A.,
Personal Assistant to the
Second Member of Council,
Bangalore.

and the sources of revenue suggested ar insufficient for providing a sinking fund in addition to guaranteeing the interest even for the shorter line from Chickjajur to Chitaldrug; that is, unless the Government makes a substantial contribution towards the capital cost. As the estimated net receipts from the line amount to 3.1%, the amount require to make up the guaranteed interest on a loan of 8½ lakhs will be .9% or say 1% of 8½ lakhs i.e., Rs.8,500. Taking twenty five years as the period within which the loan is to be repaid, the amount to be annually set apart towards sinking fund, calculating compound - interest at four per cent, is Rs.20,417 or say Rs.20,500. The total amount which the District Board will have to find every year is thus Rs.29,000. But the income from the Railway cess at three pies in the rupee and the propose toll-gate at Chitaldrug is only Rs21,02 (Vide para. 14 of Mr. Chandy's printed memorandum), and an examination of the District Board Budget shows that it wil not be possible for the Board to make good the deficit of Rs.8,000 from its existing sources of revenue.

INADEQUACY OF 3 PIE RAILWAY CESS.

3. The rate of three pies in the rupee is what has been adopted in the Madras Presidency as the maximum rate at which railway cess might be levied t District Boards. This no doubt yields a substantial income in the Districts o

the Madras Presidency, where, I am told, there are many Taluks whose income is more than the whole income of some of our Districts, and some Districts the Land Revenue of which is nearly equal to the land revenue of the whole State. With our scanty population, and light incidence of taxation, we cannot adopt the same standards as are found suitable in British India. The income from a three pie cess would not be adequate to enable any District Board in the State to finance a satisfactory and comprehensive scheme of District Board Railways. The utmost that could be done would be a very short line, with no possibility of extending it for years.

4. In such a matter comparisons even within the State are liable to be misleading. The Kolar District Board with the higher incidence of taxation, larger population, and larger Land Revenue of the District may find it sufficient to levy a three pie cess for the construction of a short Railway line of 12 miles costing about 5 lakhs, but in the Chitaldrug District with its light assessment, sparse population, and smaller revenue, and with 21 miles of railway to build in order to connect the Head Quarters of the District with the existing railway line, a three pie cess is clearly quite inadequate.

* Since writing this I have received a communication from the Deputy Commissioner of Kolar in which he says that it would probably be necessary to levy a six pie railway cess in the Kolar District for financing the Bowringpet-Kolar Railway.

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LEGISLATION NECESSARY.

5. If the proposition that District Boards should, where necessary, be permitted to levy a railway cess of more than three pies in the rupee be accepted the first thing to be done is for Govern-ment to make the necessary modifications in the Bill now before the Legislative Council under which the maximum to be levied is only three pies. I would very respectfully suggest that the maximum may be fixed at one anna. It would not be necessary to go up to this maximum unless a very large programme of work is adopted by a District Board, and such safeguards as Government may consider necessary may be insisted upon to see that an excessive rate is not forced on an unwilling community by a few enthusiasts. As far as this District is concerned, it is hoped that half the maximum rates above proposed will be enough for the present, but it is suggested that in legislating on the subject power may be taken to sanction a higher rate, in case such should be found necessary later on. The subject was placed before the District Board meeting held on the 12th May 1913, and the Board has unanimously resolved that the Government should be moved to modify the Bill now before the Legislative Council so that a maximum railway cess of one anna in the rupee may be levied. A copy of the Board's resolution is enclosed.

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EXTENSION OF LINE TO HIRIYUR.

6. The question of taking the railway line on to Hiriyur has been before the District Board for a considerable time past. The subject was brought forward at a meeting of the Board held in December 1911, and a resolution was moved by a non-official member that a railway cess at one anna be levied, but the consideration of th subject was deferred pending further investigation. Previously to this, the Taluk Board of Hiriyur had passed a resolution in favor of a one anna cess for the extension of the proposed line of railway to Hiriyur. These facts will show how eager the people are to have the railway and also that there will be no difficulty in getting the consent of the various local bodie in the District to the levy of a highe rate of cess than three pies in the rupee if the line is taken on to Hiriy

7. The desirability of extending the railway to Hiriyur with a view to tap the rich produce in cotton, oil seeds and pulses grown in this Taluk does not require much argument in its support. The quality of the cotton grown in the Taluk is said to be very superior and the number of acres under cotton cultivation in the Taluk is - 28,680 during the year 1912-13 against an average of 12,267 acres for the - three previous years. As in the rest

of the District the area under cotton in this Taluk is increasing by leaps and bounds every year, a Railway to Hiriyur will also attract the cotton and other produce of the Sira Taluk in the Tumkur District. Almost daily, one sees - - cotton-laden carts from Hiriyur and Sira Taluks pass through Chitaldrug to - - - Davangere

8. Further, the extension of the Railway to Hiriyur will give a great and much needed impetus to the expansion of cultivation under the Marikanve Reservoi by facilitating immigration. The Censu Report of 1911 shows that the density of population in this taluk is 99 to the square mile, against 136, the average fo the District and 197 for the whole State The Season and Crop Report for 1910-11 (the latest published report) gives a cropped area of 1,37,481 acres, while the current fallows are as high as 80,71 acres and the culturable waste is only 23,380 acres. The conclusion to be drawn from these figures is that the - population and agricultural resources of the tract are too inadequate to cultivat anything more than 57% of the culturable area, while at the same time the assess- ment is so light that the ryot does not mind keeping 37% of his holding fallow paying land revenue thereon. The - - figures for 1911-12 (not yet published) are even more startling. The cropped

area was 1,15,136, or only 48% of the culturable area. The current fallows were 1,05,151 acres or as much as 47.7% of the occupied area, and the culturabl waste was 20,727 acres. We have here the best possible conditions favorable for immigration. What is wanting is the means of rapid transport that would make the immigrant feel that he is witl in easy reach of his home.

9 Among other considerations in support of the proposals are the follo ing:-

(1) If a branch railway is constructe up to Hiriyur, the Tumkur Distri Board will probably follow suit by bringing a branch line from Gubbi to Sira or from Banasandra to Huliyar and then it would not be a difficult matter to link up the two branch lines, and thus open out the rich tracts of Sira Huliyar, Budihal and Chickanaika nahalli.

(2) The prople are most keen about tl Railway being extended to Hiriyu and, as already stated, the Tal Board of Hiriyur have of their own accord passed a resolution in favour of taxing themselves to the extent of an additional one anna in the rupee. When the people are so ready to incu

an extra pecuniary burden to secure the benefit of railway communicatio the authorities must meet them half way and deal with the matter as sympathetically as possible.

10. It might be answered that the Railway to Hiriyur can be thought of after the line to Chitaldrug is constru -ed and has been working for a few years. But it is feared that if advantage is not taken of the present eagerness of the people, as well as the present forward policy of the State in the matter of railway construction, the extension to Hiriyur will be indefinitely deferred, and the possibilities of the Marikanve Reservoir remain unexploited for a long time to come.

SURVEY FROM CHITALDRUG TO HIRIYUR

11. If the above proposals are considered to be deserving of further investigation, it is requested that ~~ed~~ a detailed survey of the line from Chitaldrug to Hiriyur be ordered to be undertaken without delay, and estimates of probable cost and probable earnings prepared. The cost of the survey may as usual be paid in the first instance from Provincial Funds and transferred to the District Board when construction is sanctioned.

COST OF THE EXTENSION TO HIRIYUR.

12. The distance from Chickjajur to Chitaldrug is 21.07 miles and a metre gauge line is estimated to cost 8.54 lakhs which gives an average rate of

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Rs.40,549 per mile. Chitaldrug to Hiriyur is a distance of 24½ miles, but allowing for a distance of 27 miles (in case of a slight detour being necessary to avoid the range of hills to the east of Chitaldrug) the cost of a metre gauge line to Hiriyur may be roughly taken as 10.95 lakhs. The total cost from - - Chickjajur to Hiriyur would thus be 19½ lakhs, say 20 lakhs in round figures.

QUESTION OF GAUGE

13. The cost will of course be much less if the line is built on the narrow gauge. The District Board at its meeting held on the 12th May 1913 has resolved that the Government be requested to reconsider the question of gauge. The considerations which have weighed with the District Board in - - coming to this resolution are the following:-

(1) A narrow gauge line will be amply sufficient to deal with the - - passenger and goods traffic in this District for many years to come.

(2) The cost of a narrow gauge line will be much less than that of a metre gauge line.

(3) The convenience of interchange of stock between the main line and the branch line if there be no break of gauge, will be more tha

counterbalanced by the inconveniences arising from shortage of waggons which may be caused by the branch line waggons being allowed to run to great distances on the main line. The experience of Indian merchants at Davangere is that in dealing with a foreign railway administration long delays in the supply of waggons and consequent loss are of very frequent occurrence.

(4) The cost of transhipment at the junction station will be inconsiderable. As the chief products of this District and the chief imports consist of dry goods there need not be much loss or inconvenience by transhipment.

(5) If there is a narrow gauge line we can have our own workshop and afford opportunities to our young men for developing their mechanical skill, which will be of great value in connection with Industrial development.

(6) A narrow gauge line could be worked by our own agency instead of being handed over to a foreign company.

14. I have given my best considerations to this subject and consulted several people interested in the matter and have come to the conclusion that the question of gauge requires further examination. That a narrow gauge line will be quite sufficient to meet

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the needs of this District for a long time to come admits of no doubt. In these circumstances, to require the District Board to incur the additional cost of a line of broader gauge would be to throw a needless burden on the Board, and will be tantamount to - - placing a check on railway construction It is not only a question of the - - initial capital cost. The annual sinking fund contribution will be proportionately higher, and the amount required to make up the guaranteed - - interest will be more than proprotionately increased. If there was a - - reasonable probability of the line becoming part of a through route in the near future there would be justification for incurring the increased outlay; but as there is no such probability, and the line must remain a branch of feeder line for many years, it does not appear that there is any need for its being built on the metre gauge. The possibility of linking up the Chickjajur-Chitaldrug line with the metre gauge line from Bellary to - - Rayadurga also appears to be very remote indeed. Enquiries made by me in Chellakere show that the traffic in the direction of Bellary and Rayadurga [illegible] is very - - limited except from the Molakalmuru Taluk. For a line to connect - - -

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Chitaldrug with Rayadurga, some 45 to 5(miles of railway will have to be put down within the limits of this District and that is quite beyond the means of this District Board for at least a gene- ration. If, later on, it should be - found that the traffic justifies a metr gauge line, there would be nothing to p -vent a narrow gauge line being convert into one of metre gauge.

COST OF A NARROW GAUGE LINE:

15. It is believed that the cost of narrow gauge line will not exceed - - Rs.30,000 per mile. A line from Chick jajur to Chitaldrug on this gauge will probably cost 6½ lakhs, and from Chick- jajur to Hiriyur about 15 lakhs. Befo proceeding further, it is necessary that the probable cost should be known with some degree of exactness. It is therefore requested that an alternative estimate for a narrow gauge line from Chickjajur to Chitaldrug be called for, and that if Government approve of the proposal made above to conduct a detail survey of the extension from Chitaldrug to Hiriyur, estimates may be called for both for a metre gauge line and a narrc gauge line.

FINANCING THE UNDERTAKING.

16. Detailed proposals for finan- cing the undertaking cannot convenientl be made until the order of Government (the points raised in the preceding - - paragraphs are received. But the - -

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following outline is submitted.

17. A reference to the previous correspondence on the subject in this office shows that the idea was "to raise the capital required for the railway by means of a loan from Government which will be repaid in time by raising a debenture loan" (Vide para 1 of Mr. Chandy's letter No.487 dated the 25th May 1912). But I take it that the Government is hardly likely to come to the assistance of the District Board and advance the cost of the railway, without the Board putting its shoulder to the wheel and raising a fair portion of the capital required. This, no doubt, will not be an easy matter. The District is not rich; the total amount at the credit of depositors in the Savings Bank is only Rs.4,19,000 on the 30th June 1912; there is very little of industries and trade except at Davangere, where however money brings in a return of 18 to 24 per cent and it will be exceedingly difficult to get people to take up debentures paying interest at four per cent only. Nevertheless, I think that it is possible by strenuous effort to raise about three lakhs within the District. Of the balance of about 12 lakhs required for the line from Chickjajur to Hiriyur, a portion will have to be contributed as a free grant from the Government and

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the remainder as a loan.

CHICKJAJUR-CHITALDRUG SECTION.

18. Taking the Chickjajur-Chitaldru section by itself, the capital cost of a narrow gauge line from Chickjajur to Chitaldrug is about 6½ lakhs. If the District Board raises 3 lakhs I think i would be fair that the Government - - should give the Board a loan ⅔ of the balance of 3½ lakhs, out of the sum provided for subsidies to District Boards in Government Order No.224-30/ Ry.F.124-11-12 dated 13th November 1911. This District being the most backward in the whole State, and the distance between the present line of railway and the District Head Quarters being so great, it would not be unjustifiable for the Government to make this contribution to the undertaking. The District Board can easily meet the interes and sinking fund charges by levying a three pie railway cess. The probable return from the line on a capital outlay of 8½ lakhs having been found to be 3.1%, the return when the capital is reduced to 6½ lakhs will be $\frac{3.1 \times 8.5}{6.5}$ or over four per cent. It will not therefore be necessary to set apart any thing for making good the guaranteed interest, and the whole of the income from the three pie railway cess amounti to Rs.20,234 can go into the sinking fund. A loan of 6½ lakhs can be fully repaid in 25 years by an annual payment

of Rs.15,613 carrying interest at four per cent.

CHITALDRUG-HIRIYUR SECTION.

19. The financing of the proposed extension to Hiriyur stands on a somewhat different footing. As remarked by Mr. Chandy in his letter No.281-2 dated 4th January 1912" "the Government have even a greater financial interest in bringing the Railway up to Hiriyur than the District Board, as Government are already in possession of the Marikanve asset, for whose development, railway extension is the best method." It may not therefore be unreasonable for the Government to pay from its own funds half the cost of the extension from Chitaldrug to Hiriyur, the District Board being responsible for the other half. But the proposal I would make is that out of the total estimated cost of the line from Chickjajur to Hiriyur, viz., 15 lakhs, the Government should make a free grant of one-fifth of the cost viz., 3 lakhs, to the District Board, and the District Board should be responsible for the remaining 12 lakhs. If the District Board raises 3 lakhs in the District, the Government should advance the balance of nine lakhs to the Board either as a loan or by taking debentures which will carry interest at 4%. The net earnings of the 21 miles from Chickjajur to Chitaldrug are estimated at 3.1% of the capital outlay of 8½ lakhs at Rs.40,000 a mile. The net return on

the proposed extension to Hiriyur cannot be much less, but to be entirely on the safe side we may put it down at 2% on a capital outlay of 11½ lakhs at the same rate of Rs.40,000 a mile. Combining the two together we get the following:-

	Rs
Probable income on the Chickjajur-Chitaldrug Section, 8½ lakhs at 3.1%. ...	26,350
Probable income on the Chitaldrug Hiriyur section, 11½ lakhs at 2%.	23,000
Total.	Rs49,350

Now, if the amount for which the District Board has to pay interest is only 12 lakhs the annual interest charge will be Rs.48,000 and the earnings of the line will be more than enough to meet this charge. And a debt of 12 lakhs can be repaid in 25 years by an annual payment of Rs.28,824 say Rs.29,000. This will be more than covered by levying a railway cess of six pies in the rupee to which it will be easy to obtain the consent of the District Board. The income from a six pie cess is expected to be Rs.40,468.

JUSTIFICATION FOR GOVERNMENT AID.

20. In considering the question to what extent the Government should subsidise the District Board for the construction of the Railway to Hiriyur, one important point to be borne in mind is the fact that the more favorably

situated Districts like Bangalore, Mysor Shimoga and Hassan have their railways constructed from State Funds, (Vide also Government Order No.1164-93/Ry.F. 110-12-13 dated 23rd/24th April 1913), and it is the very Districts which are most backward that have to finance Railway schemes of their own. The Districts that most stand in need of assistance from the Government at presen are probably Chitaldrug and Kadur and it would not be unreasonable to ask Government to spend, for the benefit of these Districts, a small portion of the expenditure it is incurring from State Funds for the extension of railways. When, added to this, there is the need for developing the great possibilities of the Marikanve Reservoir - a matter in which the Government is most keenly interested the case for a Government grant of three lakhs, which is only one fifth of the total estimated cost of the line, appears to be strong indeed.

21. Another consideration that may be urged is that under the Government of India Rules (Railway Board Notification No.105/R.P. dated 23rd June 1910) even private companies constructing feeder lines of railway receive substantial assistance from Government in the shape of land free of cost and either guarantee of interest at 3½% or a rebat so as to yield a return of 5% on the capital expenditure. Here the - - -

interest is to be entirely found by the District Board, and although the Government should guarantee it to the debentur holders, as between the Government and the District Board the Board will reimburse Government in any expenditure incurred on this account. The only pecuniary assistance that the Board asks for is a free grant of 3 lakhs, which under the circumstances of the case may not be regarded as excessive.

22. As regards the loan of 9 lakhs, although, of course, it would be a great assistance to the District Board which will be keenly appreciated, the Government on its part, may very well regard it as an investment. The calculations in the preceding paragraphs show that it will be an absolutely safe investment, and that the whole money will be repaid in less than 25 years. The Government loan can be repaid first and the debentures issued to the public can be redeemed on the expiry of the 25 years. If, as shown in para 19, the whole of the income from a six pie cess, amounting to Rs.40,000 be set apart for repaying the Government loan, the entire loan (9 lakhs) will have been repaid in about 16 years.

ISSUE OF PROSPECTUS.

23. The District Board has also resolved that for the raising of funds prospectus be issued with the permission of Government. This has to be done

whatever may be the decision of Government as to the terminus of the Railway and as to the gauge. It will be sufficient to say that the District Board proposes to raise a debenture loan for constructing a railway from Chickjajur-to Chitaldrug and if funds are forthcoming, to Hiriyur, tha the loan will be repaid in 25 years out of funds obtained by levying a railway cess; and that the Government guarantees interest on the loan at 4%. It is to be regretted that a prospectus could not be issued earlier. The ryots have had good seasons and realised very good prices for their crops. The prospectus of the Myso Bank has issued and vigorous canvassing i going on for subscriptions for shares in the Bank. In order that the Bank and th railway may have equal chances it is nece sary that a prospectus regarding the rail way should issue at once.

SUMMARY OF CONCLUSIONS.

24. The conclusions arrived at in th preceding paragraph may be summarised as follows:-

(1) A three pie railway cess will be insufficient to finance a metre gauge line even from Chickjajur to Chitaldrug, but will be sufficient to meet the interest and sinking fund charges of a narrow gauge line from Chickjajur to Chitaldrug.

(2) It is desirable to carry the railway on to Hiriyur once for all.

A six pie cess will be sufficient to mee
the interest and sinking fund charges of
a narrow gauge line.

(3) The Government should assist the Dis
trict Board with a loan of 3½ lakhs for
constructing a narrow gauge line from
Chickjajur to Chitaldrug. The line can
be taken on to Hiriyur if the Government
will make a contribution of 3 lakhs, and
grant a loan of 9 lakhs.

POINTS FOR ORDERS.

25. The points on which orders are required are the following:-

(1) The modification of the Bill before the Legislative Council in regard to Railway cess so as to allow of a maximu rate of cess at one anna in the rupee.

(2) Reconsideration of the question whether a metre gauge line is necessary

(3) A detailed survey between Chitaldru and Hiriyur and preparation of estimate both for a metre gauge line and a narro gauge line.

(4) Preparation of an alternative esti-mate for a narrow gauge line between Chickjajur and Chitaldrug.

(5) The nature and extent of the pecu-niary assistance that the Government will be willing to give the District Board in connection with the undertaki

(6) Permission to issue a prospectus mentioning a Government guarantee of interest at 4%.

Sd/- K. Mathan
offg Deputy Commissioner
Chitaldrug Dist

86

G.R.S. III—3]

Routine Notes.

[To be used only for notes, requisitions, etc., not intended for permanent record.]

1 Whether 6 p.c or 5 p.c is interest on D. loan
2 Whether Govt among shd be charged interest at 5 p.c or 6 p.c
3. Whether Coal Cost is 14 thousand methods amount ahead shd be only 14 thousand.
4. Interest at 5 or 6 p.c. on Coal Cost plus working Expenses is the nett liability per year & approximate revenue per year is the realisation — So interest plus annual loss has to be guaranteed by 3 or 6 p.c Govt; & what percentage of loss has still to be borne by Govt on 3 p.c or 6 p.c basis

Replies

1) The interest guaranteed on the loan for Shimoga Arasalu line is 5 p.c vide Flag J (L.B. 101-21)

2). Do for orders

3). Latest figures furnished by Rly Deptt in no 2792 dy 8-11-2 (Flag D) are as follows

	Rs
Total capital cost required for the line	18,02,1
Expenditure already incurred	3,06,8
Amount still required for the Railway	14,95,5

4) Amount required for payment of interest will be :—

D.T.S.D Loan Rs	3,71,131
Amount already Spent by Govt vide Flag D	3,06,818
Amount Govt has to find now	8,03696
Total.	14,81,645 at
= Rs	74082

71131 Loan @ 7%
320648 Accumulated cost
691819

N.B.—Should routine notes be written on small slips, the notes must be copied, or slips pasted on this form

1495575
691819
803696

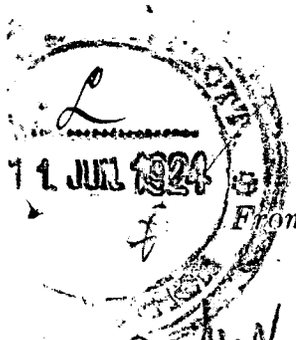
38114

S6

Office of the President, District Board,
Shimoga District.

No.P.C:40/L.I
21-23

Shimoga, Dated the 10th June 1924.



From,

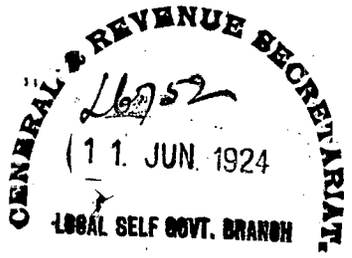
A. K. SYED TAJ PEERAN, Esq., B. A.,
President, District Board.

CNO 123
12/6

To,

B.Nagappa,Esquire,Bar-at-Law.,
Secretary to Government,Local and Legislative
Departments,

B A N G A L O R E.



Sir,

With reference to your letter No.L.9547/L.B. dated the 7th June 1924 regarding the resumption of the construction of the Shimoga -Arasalu line in the light of the terms offered by the Government in their order No.L.5037-9/L.B.101-21-9 dated dated the 5th January 1924, I have the honour to forward herewith as desired the resolution of the District Board at their meeting held on 26th March 1924.

I have the honour to be,

Sir,

Your most obedient servant.

For President
District Board, Shimoga.

Subd with ref para 3 supra.
11.6.24

Proceedings of the 3rd Meeting of the District Board, Shimoga held on Friday the 21st March 1924 at 1-P.M.

X X X X X X X X X

(29) G.O.No.5037-9/L.B.101-21-9 dated 5th January 1924 offering the following terms with regard to the resumption of the ~~contribution~~ construction of the Shimoga-Arasalu Railway line. (1) Board should contribute half of the total capital expenditure on the line. (2) Government will guarantee an int~~s~~ interest of 5% free of income-tax, any deficit on account of interest charges on the District Board ~~charges~~ share of Capital being met from the annual cess collections Etc.,

RESOLUTION:- Resolved that the subscribers be requested to pay up the remaining portion of their share amount and should there be no response, the desirability of declaring the paid-up amount as forfeited may be considered and opinion submitted by the following gentlemen who will form themselves into a Sub-Committee.

(1) Vice President (Convenor)
(2) Mr. H.Narasimhia, Advocate.
(3) Mr. Ananthaia, Pleader.
(4) The Sub-Division Officer, Thirthahalli.
(5) - Do - , Sagar.

"COPY"

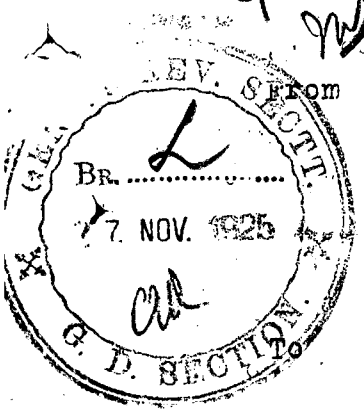
For President
District Board, Shimoga

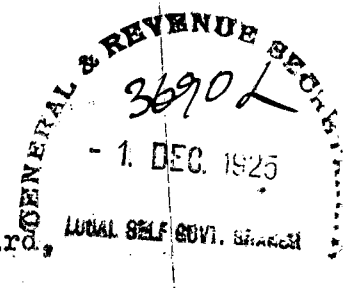
4102 101-24-12
22104
3855 Rev. 24.1.

89

No. P.C.40/L.B.
21-22

Office of the President, District Board
Shimoga District.
Shimoga dated the 20th November 1925.





From

A.K.Syed Taj Peeran, Esquire, B.A.,
President, District Board,
SHIMOGA.

63 101-24-14

To

B.Nagappa, Esquire, Bar-at-Law.,
Secretary to Government, Local and Legislative Departments,
BANGALORE.

Sir,

In continuation of this Office Numbers.P.C.40/L.B 21-22 dated 7/12th December 1924 and P.C.40/L.B.21-22 dated 4/5th May 1925 requesting early prders on the resolutions of the Shimoga District Board to resume the work of the Shimoga-Arasalu Railway Line, I have the honour to submit herewith again the two resolution viz, 18 and 19 of the District Board passed at their meeting held on 4th November 1925 on the subjects brought forward by the Representative Assembly as well as District Board members as shown in the above appended statement. The members have been repeatedly urging the Board to request the Government to start the work ~~withc~~ without further loss of time and in default to abolish the Railway cess which is being levied now.

Under the above circumstances, I request that the Government may kindly be moved to take immediate steps in this direction. It is needless for me to add that the construction of the Railway which was purely designed for the improvement of ~~malar~~ malanad parts and to ameliorate the mass who have inspite of their scanty means have liberally subscribed within their power for the loan

loan

92

APPX F. VI. Gl.]

SUBJECT.....

.....

.....

Section LR

File No. 101-21

Serial No. 15

Diary No. of letter replied to.....

No. 122

General and Revenue Secretariat

( )

the 192

To

The Provincial Board

Shimoga

Sir,

Date of issue 4/7/26

Signed by pr T.C.S

With reference to the Correspondence ending with your letter No P.C. 40/LR 21-22 dated the 12th December 1924 and the subsequent reminders thereto, regarding the resumption of the Construction of the Shimoga Arasalu Ry line I am directed to state that Govt have sanctioned the cost of the line recalculated up to January and

List of enclosures.....

Copied by.....

Examined by.....

P.T.O.

and they are informed that
the cost of the above for a
distance of 14.02 miles is
estimated to come up to Rs 15,86,945
and that it would be more
advantageous to continue the
line up to Begumabad involving
an additional distance of 1.94 miles.
The total cost up to this
point is estimated at Rs 17,46,545
and excluding the amount already
spent, the amount required
is estimated at Rs 14,16,545

Even the loan at present raised by Mr Bd
has been guaranteed by Govt;
they therefore consider that there
is no likelihood of the Bd Board
being able to raise a loan
themselves without Govt help
and contribute their portion
of half the cost

The cess at present levied
at the rate of 3 pies in the
rupee is also not at all sufficient

G. R. S. G/33]

GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

to meet the payment of interest on the loan to be raised. The line is an important one and may have to be extended to the interior of the Malwan to develop that tract. In view of these facts and the policy which Govt. have proposed to follow in future in regard to the Construction of Railways in the State and adopted in the case of the Kadur-Chickmagalur Ry line I am to state that the question of resumption of the Construction of the Shimoga Arsalu Ry line will be considered if the Board agree to raise the Ry cess at present being levied in the dist. to be spent in the repair and make it over to Govt. so as to meet interest charges on the total Capital

cost.

Cost incurred. In loan raised by the Board excluding the share which may be given the accumulated railway fees which will be permitted to be used on the Capital Cost of the line without the Board claiming any proprietary right in respect of it, may be transferred to Govt, and it will be applied in meeting a part of the Capital cost of the line Govt bearing the remainder.

I am therefore to request that the matter may be placed before the Board and their views forwarded to Govt at a very early date

I have etc

W/28/6 Secy to Govt

Local & Light dept

08357

169
96

No P.C.40/L.B.21-22
En.1

OFFICE OF THE PRESIDENT, DISTRICT BOARD.
SHIMOGA DISTRICT.

Shimoga, Dated the 11th August 1926..

13 ee

GENERAL & REVENUE SECRETARIAT.
750
16. AUG. 1926
LOCAL SELF GOVT. BRANCH

GEN. & REV. SECTT.
BR. L
14. AUG. 1926
G.D. SECTION.

From

A.K. Syed Taj Peeran, Esquire, B.A.,

President, District Board,
Shimoga District.

To

B.Nagappa, Esquire, Bar-at-Law.,

Secretary to Government, Local and Legislative Departments

B A N G A L O R E.

B 101-21-17.

Sir,

With reference to your letter No.122/L.B.101-21-15 dated 9th July 1926 communicating the conditions under which the Government will be prepared to take up the question of the resumption of the construction of the Shimoga-Arasalu Railway, I have the honour to state that the subject was discussed at the special meeting of the District Board, Shimoga held on the 9th instant and an extract of the proceedings of the Board containing the resolution on the subject is submitted for the information of Government. It will be seen therefrom that the Board has agreed to make over the accumulated amount of the Railway cess amounting to Rs.3,20,688/- unconditionally besides placing at the disposal of Government the cess that may be collected hereafter together with the loan raised by the Board surrendering also its proprietry right over the line.

The Board is not however in favour of enhancing the Railway cess to 6 pies in the rupee for the reasons mentioned in the resolution. I beg to reccommend the resolution of the District

98

Proceedings of the Special Meeting of the District Board, Shimoga, held on Monday the 9th August 1926 at 2.P.M. in the Town-hall, Shimoga.

****

1. Read letter No.122/L.B.101-21-15 dated 9th July 1926 from the Secreatary to Government, Local and Legislative Departments stating that:-

(1) the question of the resumption or the construction of the Shimoga-Arasalu Railway Line will be considered if the District Board agree to raise the Railway cess at present being levied in the District to six pies in the rupee and make it ove to Government so as to meet interest charges on the total Capit cost incurred and

(2) that the loan raised by the District Board exclu share found from the accumulated Railway cess which will be permitted to be used for the Capital cost of the Line without Board claiming any proprietry right in respect of it, may be transferred to Government and it will be applied in meeting a part of the Capital cost of the Line, Government bearing the remainder and requesting to obtain the views of the Board in the matter.

RESOLUTION:

Resolved that the Board is conscious of the urgenc of resuming the construction of the Shimoga-Arasalu Railway Line on which an appreciable amount has already been spent and that as proposed by the Government, the Board is prepared to make over t the accumulated amount of the Railway cess unconditionally to be utilised towards the construction, in addition to the loan raised by the Board surrendering its proprietry right over the Line. They further reselve that the annual collection of the Railway cess shall be utilised by the Government towards meeting the interest charges but having regard to the Local conditions

Statement of financial results of the line from Shimoga Ragihosahalli (18.96 Miles) to be resumed as a part of the Shimoga-Arasalu Railway.

		Rs.
1.	Total Capital cost including the amount already spent viz., Rs 3,30,000	17,46,545
	[The present value of this work is not available.]	
2.	Balance required to be spent.	14,16,545
3.	Contribution from the District Board;	
	(a) Accumulated Railway Cess. 3,20,688	
	(b) Loan Raised by -- District Board up to end of 1924-25. 3,71,131	6,91,819
4.	Balance Government has to find.	7,24,726
5.	Working expenses.	51,682
6.	Interest at 5 percent Government's capital cost including loan;	
	District Board's Debenture Loan. ... 3,71,131	
7	Amount already spent by Government. 3,30,000	
7	Amount Government has to find now. 7,24,726	71,293
	14,25,857	
7.	Loss on working including interest on Government Capital & Loan -- (Rs 71,293 in kind – 22,145 Net income)	49,144
8.	Loss covered by 3 pies cess (as per Administration Report for 1924-25)	31,377 or 63.85 per cent
9.	Balance of loss to be borne by Government.	17,76 or 36.15 per cent.

101

Proceedings of the Government of His Hi
the Maharaja of Mysore.

R e a d :-

Correspondence ending with letter No.L.122 L.B.101-21-15 dated 9th July 1926 to the President, District Board, Shimoga, proposing certain conditions under which th construction of the Shimoga-Arsalu Railway line may be resumed and requesting that the opinion of the District Board may be obtain and submitted to Government for orders.

2. Letter No.P.40 L.B. dated 13th August 1926, from the President, District Board, Shimoga, forwarding the resolution passed by the District Board on the question referred to above.

Order No. L4763-75-83 101-21-18

Dated, Bangalore, the 22nd Jan 27

In August 1914 the District Board of Shimoga was authorised to raise a loan of Rs.10 lakhs for the construction of a narrow gauge line from Shimoga to Sagar with a branch line from Riponpet to Thirthahalli. The loan raised for the purpose was later on ordered to be utilised for the Shimoga-Arasalu Railway line, but the work which had been started by Government had to be stopped on financial grounds. The question of the resumption of the work on the Railway line was again taken up in 1924 and the District Board were consulted whether they were agreeable to contribute half the capital expenditure on the project out of loans

already raised and to be raised and out of the accummulated cess collections, Government guaranteeing 5 per cent interest on the entire loan, under certain conditions. The Board accepted the above proposals but wanted Government to gaurantee 6¼ per cent interest on the loan free of income tax and subsequently pressed the Government either to resume the work or order the discontinuance of the levy of the Railway Cess.

2. At this stage, Government had the cost of the line recalculated up to Kumsi, where it was ascertained that the cost of the line for a distance of 17.02 miles would came up to Rs.15,86,945 and that it would be more advantageous to continue the line to Ragihosahalli involving an additional distance of 1.94 miles, the total cost up to this point being estimated at Rs.18,02,333, ~~out of~~ which the amount actually required was found the Rs.14,95,515 Excluding the amount already spent on the line. In view of the importance of the line which will have the ~~was found required to~~ effect of opening up the interior parts of the Malnad and of the policy intended to be pursued by Government as regards the construction of railway lines in the Districts and followed in regard to the construction of the Kadur-Chikmagalur lines, the District Board was informed in July 1926, that the resumption of the construction of the Shimoga-Arasalu line would ~~will~~ be considered if the Board agrees to raise the railway cess to 6 pies and make it over to Government to meet interest charges on the total capital

cost incurred. They were also informed that the loan raised by them including the accummulated railway cess which will be permitted to be used for the capital cost of the line without the Board claiming any proprietory right in respect of it, should be transferred to Government for meeting a portion of the capital cost, the remainder being borne by Government.

3. The President, District Board, Shimoga has now forwarded the resolution passed by the District Board in the matter at a Special meeting held on 9th August 1926, wherein the District Board has agreed to make over to Government the Railway Cess to meet interest charges [on the loan] and also to transfer unconditionally to Government, towards construction of the line, the accummulated Railway Cess amount in addition to the loan raised by them without laying claim to any proprietory right in the line, but the Board is not agreeable to enhance the railway cess from 3 pies to 6 pies per rupee on the ground that the malnad people are proverbially indebted and unable to pay any excess taxation. The Board however pray that this may not prevent the opening of the line which may be taken up soon, as it will greatly improve the economic condition of th malnad parts.

4 [(4)] The District Board have agreed to two out of the three conditions. The Malnad requires opening up by Railway Lines and the outlay of about Rs. 3½ la already incurred on the line is now lying idle.

Revised terms 4 suggested

4. The District Board have agreed to two out of the 3 conditions specified by Government for the resumption of construction of the Shimoga - Arsalu Line. The malnad requires opening up by Railway Lines and th outlay of about Rs.3½ lakhs already incurre on the line is now lying idle. The total estimate as finally drawn up comes to Rs.18,02,333 including the expenditure already incurred on the line up to Ragi-Hosahalli viz., Rs.3,06,818 and the balance now required for proceeding with the construction will be Rs.14,95,515 which is required to be provided for in 3 years as follows:-

1926-27.	Rs.	3,54,745
1927-28.	"	10,11,235
1928-29.	"	1,29,535
Total.	Rs.	14,95,515

Towards this amount, a ~~little over~~ sum of above 7 lakhs is available as contribution from the District Board being the proceeds of the loan raised by the District Board up to end of 1924-25 amounting to Rs.3,71,131 together with the accumulated Railway Cess collections viz., Rs.3,33,000 including current year's intere which the District Board has agreed to make over to Government unconditionally.

5. In the circumstances, Government consider it justifiable to agree to bear sc loss in respect of the resumption of this line. They direct that the construction c this line be resumed up to Ragihosahalli on the following conditions:-

(1) The loan raised by the District Board will be considered as that of Gover ment with no claim to debenture holders t any share in the profits of the line. I is to be stated that under the conditions of issue of the loan, a share of profits was promised to Debenture holders and thi condition cannot be complied with now.

(2) The accumulated railway cess including the current year's collections should be made over by the Board ~~of~~ To Gover ment with no claim to any proprietory right in the line.

(3) Future annual collections of railway cess will be utilised for meeting the interest charges during the construction stage and the deficit in the Revenue account of the railway including in such account, interest at 5½ per cent on the capital contributed by Government and at the rate of interest actually paid on the amount of the loan raised by the Board and taken over by Government.

(4) The condition of placing the proceeds of the annual Railway Cess at th disposal of Government for meeting defici in the Revenue Account will continue for a period of 25 years.

6. The work will be started immediatel out of the District Board contributions and the funds required by the Railway Department during the current and next years will be placed at their disposal ir the manner indicated below:-

	1926-27. (Lakhs)	1927-28. (Lakhs.)	1928-2 (Lakhs
Out of District Board contribution Loan and Cess collections.	Rs. 3½	Rs. 3½	...
From Government funds.	Nil.	" 6½	Rs. 1½

Suitable provision will be made in th ensuing years' State and District Fund Budgets.

7. The President of the Shimoga District Board is requested to communicate the foregoing decision of Government to the District Board and report their final acceptance.

8. The Agent, Mysore Railways is authori ed to proceed with the work on the Shimoga Arasalu - Ragihosahalli line without delay employing therefor the establishment lately employed on the Nanjangud-Chamaraj- nagar line.

h
10.1.27

Secretary to Government,
Local and Legislative Departments.

To

The President, District Board, Shimoga.
" Agent, Mysore Railways.
" Comptroller to Government, through Financial Secretariat.
" Chief Engineer in Mysore.
" Deputy Commissioner, Shimoga.
" Other Deputy Commissioners of Dts.
" Secy to Govt. for Railways

(07)

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. L. 4763-75—L. B. 101-21-18, dated 22nd January 1927.

Shimoga-Arasalu Railway Line.

Passes Orders about the resumption of work on the ——.

READ—

Correspondence ending with letter No. L. 122—L. B. 101-21-15, dated 9th July 1926, to the President, District Board, Shimoga, proposing certain conditions under which the construction of the Shimoga-Arasalu Railway Line may be resumed and requesting that the opinion of the District Board may be obtained and submitted to Government for orders.

2. Letter No. P. 40 L. B., dated 13th August 1926, from the President, District Board, Shimoga, forwarding the resolution passed by the District Board on the question referred to above.

ORDER No. L. 4763-75—L. B. 101-21-18, DATED 22ND JANUARY 1927.

In August 1914 the District Board of Shimoga was authorised to raise a loan of Rs. 10 lakhs for the construction of a narrow gauge line from Shimoga to Sagar with a branch line from Riponpet to Tirthahalli. The loan raised for the purpose was later on ordered to be utilised for the Shimoga-Arasalu Railway line, but the work which had been started by Government had to be stopped on financial grounds. The question of the resumption of the work on the Railway line was again taken up in 1924 and the District Board were consulted whether they were agreeable to contribute half the capital expenditure on the project out of loans already raised and to be raised and out of the accumulated cess collections, Government guaranteeing 5 per cent interest on the entire loan, under certain conditions. The Board accepted the above proposals but wanted Government to guarantee 6¼ per cent interest on the loan free of income-tax and subsequently pressed the Government either to resume the work or order the discontinuance of the levy of the Railway Cess.

2. At this stage, Government had the cost of the line recalculated up to Kumsi when it was ascertained that the cost of the line for a distance of 17·02 miles came up to Rs. 15,86,945 and that it would be more advantageous to continue the line to Ragihosahalli, involving an additional distance of 1·94 miles, the total cost up to this point being estimated at Rs. 18,02,333. Excluding the amount already spent on the line, the amount actually required was found to be Rs. 14,95,515. In view of the importance of the line which will have the effect of opening up the interior parts of the Malnad and of the policy intended to be pursued by Government as regards the construction of railway lines in the Districts and followed in regard to the construction of the Kadur-Chikmagalur line, the District Board was informed in July 1926, that the resumption of the construction of the Shimoga-Arasalu line would be considered if the Board agreed to raise the Railway Cess to 6 pies and make it over to Government to meet interest charges on the total capital cost incurred. They were also informed that the loan raised by them including the accumulated Railway Cess which will be permitted to be used for the capital cost of the line without the Board claiming any proprietory right in respect of it, should be transferred to Government for meeting a portion of the capital cost, the remainder being borne by Government.

No. L. 4763-75—L. B. 101-21-18, DATED 22ND JANUARY 1927.

3. The President, District Board, Shimoga, has now forwarded the resolution passed by the District Board in the matter at a special meeting held on 9th August 1926, where in the District Board have agreed to make over to Government the Railway Cess to meet interest charges and also to transfer unconditionally to Government towards construction of the line the accumulated Railway Cess amount in addition to the loan raised by them without laying claim to any proprietory right in the line, but the Board is not agreeable to enhance the Railway Cess from 3 pies to 6 pies per rupee on the ground that the malnad people are proverbially indebted and unable to pay any excess taxation. The Board however pray that this may not prevent the opening of the line which may be taken up soon, as it will greatly improve the economic condition of the malnad parts.

4. The District Board have agreed to two out of the conditions specified by Government for the resumption of construction of the Shimoga-Arasalu line. The malnad requires opening up by Railway lines and the outlay of about Rs. 3½ lakhs already incurred on the line is now lying idle. The total estimate as finally drawn up comes to Rs. 18,02,333 including the expenditure already incurred on the line up to Ragihosahalli, *viz.*, Rs. 3,06,818 and the balance now required for proceeding with the construction will be Rs. 14,95,515 which is required to be provided for in 3 years as follows:—

		Rs.
1926-27	..	3,54,745
1927-28	..	10,11,235
1928-29	..	1,29,535
	Total	14,95,515

Towards this amount, a sum of about 7 lakhs of Rupees is available as contribution from the District Board, being the proceeds of the loan raised by the District Board, up to end of 1923-25, amounting to Rs. 3,71,131 together with the accumulated Railway Cess collections, *viz.*, Rs. 3,33,000 including current year's interest, which the District Board has agreed to make over to Government unconditionally.

5. In the circumstances Government consider it justifiable to agree to bear some loss in respect of the resumption of this line. They direct that the construction of this line be resumed up to Ragihosahalli on the following conditions:—

(1) The loan raised by the District Board will be considered as that of Government with no claim to debenture holders to any share in the profits of the line. It is to be stated that under the conditions of issue of the loan, a share of profits was promised to Debenture holders and this condition cannot be complied with now.

(2) The accumulated railway cess including the current year's collection should be made over by the Board to Government with no claim to any proprietor right in the line.

(3) Future annual collections of railway cess will be utilised for meeting the interest charges during the construction stage and the deficit in the Revenue account of the railway, including in such account interest at 5½ per cent on the capital contributed by the Government and at the rate of interest actually paid on the amount of the loan raised by the Board and taken over by Government.

(4) The condition of placing the proceeds of the annual Railway Cess at the disposal of Government for meeting deficit in the Revenue Account will continue for a period of 25 years.

6. The work will be started immediately out of the District Board contributions and the funds required by the Railway Department during the current and next years will be placed at their disposal in the manner indicated below:—

	1926-27 Lakhs.	927-288 Lakhs.	1928-29 Lakhs.
Out of District Board Contribution ..			
Loan and Cess collections.	Rs. 3½	Rs. 3½	..
From Government Funds.	Nil	„ 6½	Rs. 1½

Suitable provision will be made in the ensuing years' State and District Fund Budgets.